

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of \* 165 SECURITIES AND EXCHANGE COMMISSION File No.\* SR - 2020 - \* 003  
 WASHINGTON, D.C. 20549  
 Form 19b-4 Amendment No. (req. for Amendments \*) 1

Filing by Banque Centrale de Compensation  
 Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

<b>Initial *</b>	<b>Amendment *</b>	<b>Withdrawal</b>	<b>Section 19(b)(2) *</b>	<b>Section 19(b)(3)(A) *</b>	<b>Section 19(b)(3)(B) *</b>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			Rule		
<b>Pilot</b>	<b>Extension of Time Period for Commission Action *</b>	<b>Date Expires *</b>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

<b>Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010</b>	<b>Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934</b>
<b>Section 806(e)(1) *</b>	<b>Section 806(e)(2) *</b>
<input type="checkbox"/>	<input type="checkbox"/>
	<b>Section 3C(b)(2) *</b>
	<input type="checkbox"/>

<b>Exhibit 2 Sent As Paper Document</b>	<b>Exhibit 3 Sent As Paper Document</b>
<input type="checkbox"/>	<input type="checkbox"/>

**Description**

Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).

LCH SA is proposing to amend its governance documents

**Contact Information**

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name \* Mohamed Last Name \* Meziane

Title \* Senior Regulatory Advisor

E-mail \* mohamed.meziane@lch.com

Telephone \* (000) 000-0000 Fax

**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title \*)

Date 07/29/2020 Chief Compliance Officer

By Francois Faure

(Name \*)

Francois Faure, francois.faire@lch.com

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

**Form 19b-4 Information \***

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit Sent As Paper Document

**Exhibit 3 - Form, Report, or Questionnaire**

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit Sent As Paper Document

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

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Form 19b-4

Proposed Rule Change  
by

BANQUE CENTRALE DE COMPENSATION

Pursuant to Rule 19b-4 under the  
Securities Exchange Act of 1934

**Item 1. Clearing Agency’s Statement of the Terms of Substance of the Proposed Rule Change**

Banque Centrale de Compensation, which conducts business under the name LCH SA (“LCH SA”), is proposing to amend its governance documents (“Governance Documents”) including: (i) the Terms of Reference (“ToR”) of the Board of Directors (“Board”); and (ii) the TOR of the current committees of the Board. The Proposed Rule Change will also establish ToR of a Nominating Committee and of a Technology, Security and Resilience Committee for LCH SA.

**Item 2. Procedures of the Clearing Agency**

LCH SA has completed all of the required action to be taken to approve and authorize the Proposed Rule.<sup>1</sup> No further approval is necessary.

Questions should be addressed to François Faure, Chief Compliance Officer, at francois.faure@lch.com or +33 1 70 37 65 96; or Mohamed Meziane, Senior Regulatory Advisor, Compliance Department, at mohamed.meziane@lch.com or +33 1 70 37 65 52.

**Item 3. Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

1. Purpose

LCH SA is proposing the Amendment 1 to the filing LCH SA-2020-003 in order to make a few minor corrections including the appropriate revised document to be attached as Exhibit 5. In its filing with the Commission, LCH SA included statements

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<sup>1</sup> The Proposed Rule Change was approved by LCH SA’s Board of Director on 23 June 2020.

concerning the purpose of and basis for the Proposed Rule Change and discussed any comments it received on the Proposed Rule Change. The text of these statements may be examined at the places specified in Item IV below. LCH SA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Proposed Rule Change is being adopted in significant part to conform LCH SA's Governance Documents to actions taken by LCH Group to simplify its governing arrangements and to eliminate provisions in LCH Group's governance documents that they have determined are unnecessary and outdated. These changes will allow the LCH group as a whole to operate more efficiently and effectively. Although LCH SA's Governance Documents will be revised to reflect the changes to the LCH Group's governing arrangements described below, in practice, these revisions will not result in any substantive changes in LCH SA's current governance.

a. Background

In connection with its purchase of approximately 58 percent of LCH Group<sup>2</sup> in 2013, LSEG entered into a Relationship Agreement with LCH Group for the purpose of (i) assuring certain protections for minority LCH Group shareholders, (ii) providing for representation of stakeholders in the CCPs that comprise LCH Group, *i.e.*, the clearing members of each CCP and the exchanges whose transactions were cleared through LCH

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<sup>2</sup> LCH Group was then known as LCH.Clearent Group Limited.

SA or LCH Limited, and (iii) recognizing LSEG's requirements as majority shareholder for appropriate controls over LCH Group.<sup>3</sup>

To this end, among other provisions, the Relationship Agreement: (i) set out certain Core Operating Principles to be applied in managing the business of LCH Group; (ii) provided that the Board of Directors of LCH Group and each CCP would be comprised of a prescribed mix of independent non-executive directors, executive directors, User Directors,<sup>4</sup> exchanges ("Venues") and LSEG representatives; (iii) provided that LCH Group would have a separate Audit Committee and Remuneration Committee independent of the parallel committees at each CCP; and (iv) provided for a Nomination Committee, which would be responsible for nominating independent non-executive directors, User Directors and Venue Directors of the Board of Directors and committee members at LCH Group and each CCP.

The Relationship Agreement also provided for certain minority protection reserved matters, which would require the approval of 80 percent of votes cast on a resolution, including: (i) altering the constitutional documents of LCH Group; (ii) making material changes to the Core Operating Principles; (iii) proposals to wind-up LCH Group or any material LCH Group company; and (iv) material amendments to the Relationship Agreement.

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<sup>3</sup> As appropriate, provisions of the Relationship Agreement were reflected in the LCH Group Articles of Association and the ToR of the LCH Group Board of Directors.

<sup>4</sup> User Directors are individuals that are associated with or connected to clearing members that are also shareholders of LCH Group.

In addition, the Relationship Agreement contained customary consent rights for LSEG as a majority shareholder, including: (i) approval of business and budget plans; (ii) matters representing changes from the Core Operating Principles; (iii) material changes to regulatory obligations and risk profile; (iv) material acquisitions/disposals; and (v) settlement of material litigation (collectively, “Consent Matters”). The Relationship Agreement also reserved for LSEG the right to put certain matters to shareholder vote where LCH Group either failed to consider the matter or considered it and voted it down (“Push Matters”).<sup>5</sup>

As noted above, LCH Group has determined to simplify its governing arrangements and to eliminate provisions in LCH Group’s governance documents that are unnecessary and outdated. In this regard, LCH Group and LSEG have decided to terminate the Relationship Agreement and to remove duplication in board decision-making between LCH Group and the CCP Boards by making the LCH Group Board an internal only board, *i.e.*, comprised only of representatives of LSEG and LCH Group. The LCH Group Articles of Association similarly will be revised to eliminate those provisions arising from the Relationship Agreement.

The Relationship Agreement is no longer necessary because certain contractual provisions are provided for in law of regulation and other provisions are historic and no longer relevant. Importantly, since 2013, LSEG has added to its shareholdings in LCH Group and now owns approximately 83 percent of LCH Group. Therefore, the minority protection provisions noted above are no longer relevant as LSEG alone could approve such matters by voting its shares. As explained below, however, certain protections in

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<sup>5</sup> LSEG never exercised this right.

the Relationship Agreement will be incorporated into the revised ToR of the Board of Directors.<sup>6</sup>

b. Proposed Amendments to the ToR

As noted earlier, the Proposed Rule Change is being adopted in significant part to conform LCH SA's Governance Documents to actions taken by LCH Group to simplify its governing arrangements. These changes will allow the LCH group as a whole to operate more efficiently and effectively. Importantly, there will be no change in the proportion of independent directors<sup>7</sup> or the number of directors representing members and participants. Therefore, the Board and the committees of the Board will continue to assure fair representation of its members and participants in the selection of its directors and the administration of its affairs as provided in section 17A(b)(3)(C) of the Act.<sup>8</sup>

**Terms of Reference of the Board of Directors**

The ToR of the Board will be amended as necessary to remove those provisions that are no longer required as a result of the termination of the Relationship Agreement and the amendment of the LCH Group Articles of Association:

- Article 2, Definitions, will be amended to remove those definitions arising from the Relationship Agreement, including: (i) Core Operating Principles; (ii)

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<sup>6</sup> Such protections include but are not limited to certain consent rights and the right to have a representative on the Board of Directors of LCH SA and LCH Limited, as well as the several committees of LCH SA and LCH Limited

<sup>7</sup> The ToR of the LCH SA Board defines an independent director as a director who satisfies applicable Regulatory Requirements, *i.e.*, any regulation or requirement of applicable law or of any applicable regulatory body, regarding independent directors, and who is appointed in accordance with the Nomination Committee ToR.

<sup>8</sup> 15 U.S.C. 78q-1(b)(3)(C).

Customer; (iii) Customer Director; (iv) Group Nomination Committee (which is being disbanded); (v) LSEG Audit Representative; (vi) LSEG Consent Matters; (vii) LSEG NomCom Representative; (viii) Material Interest; (ix) Minority Protection Reserved Matters; (x) Push Matters; (xi) Relationship Agreement; (xii) Significant Interest; (xiii) Venue; (xiv) Venue Director.

- Article 3, Composition of the Board, will be amended (i) to remove the requirement that the Chairman of LCH Group will be a non-executive director of the Board, (ii) to confirm that LSEG is entitled to a representative on the Board unconditionally,<sup>9</sup> (iii) to remove the requirement for a Venue Director,<sup>10</sup> and (iv) to confirm that Euronext is entitled to propose the appointment of a representative to the Board as long as either the Cash Clearing Agreement or the Derivatives Clearing Agreement between Euronext and LCH SA remains in force.<sup>11</sup> Article 3 will be further amended to provide that the Chief Risk Officer of LCH Group

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<sup>9</sup> Article 3 currently provides that LSEG is entitled to a representative on the Board “for so long as LSEG is entitled to exercise or control the exercise of at least 5 percent of the votes able to be cast on all or substantially all matters at general meetings in LCH Group Holdings Limited”.

<sup>10</sup> With the exception of Euronext, there have been no Venue representatives on the LCH SA Board for some time. This is because a Venue must also be a shareholder of LCH Group in order to qualify for representation on the Board. Nasdaq was the last significant Venue on the LCH Group shareholder register but sold its stake in 2018. Since then, there has only been one entity that is a combination of a User/Venue and that entity has shown no interest in being represented on any LCH board. Euronext was a shareholder of LCH Group, but moved its ownership stake to LCH SA in 2017. However, it is entitled to a Board representation through its contractual arrangements, *i.e.*, the Cash Clearing Agreement and Derivatives Clearing Agreement.

<sup>11</sup> In accordance with the terms of the agreement pursuant to which Euronext N.V. purchased 11.1 percent of the shares of LCH SA, Euronext is already entitled to propose a representative to the Board.

may, but is not required to, be one of the three executive Directors of the Board.

Article 3 currently provides that the Chief Risk Officer of LCH Group, along with the CEO of LCH SA and the CEO of LCH Group will be the executive Directors of the Board. Finally, Article 3 references the new Nomination Committee, rather than the Group Nomination Committee.

- Article 4, Rules applicable to Directors, will be amended to remove references to the Relationship Agreement (and Consent Matters, Minority Protection Reserved Matters and Push Matters therein) and refer only to rights of consent that LSEG may have under this ToR.
- Article 6, Quorum, will be amended to make a technical correction to the first sentence of the article. The sentence currently provides that the Board “may validly deliberate only if half of the Directors are present.” This sentence could be interpreted to mean that the Board could not deliberate if more than half of the Directors are present, which clearly is not intended. As proposed to be revised, this sentence will confirm that the Board “may validly deliberate only if at least half of the Directors are present.”
- Article 12, Powers of the Board, will be amended to remove references to the Relationship Agreement, including the Core Operating Principles. However, the amendments to Article 12 will also confirm that the Board’s authority with respect to certain matters remains subject to LSEG’s consent. These matters, previously included in the Relationship Agreement, include: (i) approval of LCH SA’s annual operating and capital expenditure budget; (ii) approval of any material changes to LCH SA’s budget; (iii) approval of the terms and conditions

of any merger agreement between the LCH SA and a third party; and (iv) approval of a decision of LCH SA to issue new shares. LSEG's consent will also be required with regard to any matter that constitutes a material increase in the risk profile of LCH SA's investment policy or capital management policy that would result in a material decrease in LCH SA's available liquidity resources (subject to certain exceptions). In addition, LSEG's consent will be required with respect to (a) any recommended changes to the structure, size and composition of the Board that the Board, upon recommendations from the Nomination Committee, may recommend for approval by a general meeting of the shareholders, and (b) the ToR of any Board committees and any changes thereto, to the extent provided for in the ToR of the Board or the ToR of the affected committee.

Article 12 will also be amended to reflect the existing group dividend policy including the factors to be taken into account when determining the dividend (as currently set out in the Relationship Agreement and the Euronext shareholders' agreement). Dividends are subject to the vote of the shareholders, having regard for: (i) applicable regulatory and regulatory capital requirements; (ii) restrictions in any finance documents; (iii) investment to support capital expenditure contemplated by the business plan and budget from time to time, including technology, taking into account future expected cash flows; and (iv) applicable laws.

Moreover, Article 12 will be amended to clarify that the Board will approve at least annually the LCH Group Risk Governance Framework and LCH SA's

various policies, including LCH SA's: (i) Financial Resource Adequacy Policy; (ii) Default Management Policy; (iii) Collateral Risk Policy; (iv) Investment Risk Policy; (v) Liquidity Risk Policy; (vi) Settlement, Payment & Custody Risk Policy; (vii) Counterparty Credit Risk Policy; (viii) Contract and Market Acceptability Policy; (ix) Model Governance, Validation & Review Policy; (x) Operational Risk Policy; (xi) and Procyclicality Policy and any significant changes to those policies upon recommendations from the Risk Committee. Finally, Article 12 will be amended to confirm that, in appointing the Chairman of the Board and the LCH SA CEO, the Board will act in accordance with the ToR of the Nomination Committee.

- Article 13, Company management (Chairman – CEO), will be amended to provide that certain actions, which previously the CEO was authorized to take with the consent of the Board, may be undertaken only after consultation with the board of LCH Group. These activities include: (i) any type of joint venture arrangement between LCH SA and any third party; (ii) any acquisition of a business with a valuation representing five percent or more of LCH SA's net revenue stated in the last audited accounts published by LCH SA; (iii) any disposal of all or any material part of LCH SA's business; (iv) any decision to cease to operate all or any material part of LCH SA's business; (v) any acquisition or disposal of shares or any interest in shares of LCH SA, any significant investment in any third party or the making of any takeover offer; and (vi) any material acquisitions and disposals, including in relation to intellectual property

and LCH SA's various business segments and group undertakings.<sup>12</sup> In addition, Article 13 will be amended to authorize the CEO or the CEO's management team to provide to LSEG (subject to all laws and regulations (including antitrust laws and regulations)), (a) sufficient financial and other information that LSEG may reasonably require to meet any applicable reporting requirements or standards and LSEG's budgeting and forecasting processes; and (b) the audited accounts for each financial year and monthly management reports, consistent with LSEG's existing rights under the Relationship Agreement.

Article 13 will also be amended to provide that, in line with LSEG's consent rights in the Relationship Agreement, LSEG will have the right to consent with regard to the settlement of any litigation that could result in a payment to or by LCH SA in excess of €2,000,000 and with regard to any IT investments proposed to be made by LCH SA if they exceed an aggregate annual amount of € 3,000,000.

- Article 14, Conflicts of Interest, will be amended to provide that, notwithstanding the general prohibition on a Director nominated by a shareholder of LCH Group from sharing information with the shareholder of LCH Group without the consent of the independent non-executive Directors of the Board, information may be shared with LSEG, in its capacity as an indirect shareholder of LCH SA, for legal, accounting, tax regulatory or disclosure purposes.

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<sup>12</sup> For the purposes of this paragraph, an acquisition or disposal will be material if the value of the consideration or the assets that are the subject of the transaction exceed an aggregate amount of €10,000,000.

- Article 15, Committees of the Board, will be amended to note (i) the addition of a new committee, the Technology, Security and Resilience Committee, and (ii) that the Group Nomination Committee is now the Nomination Committee, *i.e.*, a committee of LCH SA.
- Article 16, Audit Committee, will be amended to remove the requirement that the ToR of the Audit Committee must be substantially similar to the terms of reference of the Audit Committee of LCH Group (as this will no longer exist) and to recognize that changes in the ToR may be required by LCH SA's regulators (and not LCH Group's regulators) or any applicable law or regulation. The ToR must be reviewed annually by the Board, and (ii) are subject to the approval of the Board and to the consent of LSEG, in respect of the rights of LSEG under the ToR. Finally, the amended Article 16 will confirm that a Director representing LSEG and a Director representing Euronext will be a part of the Audit Committee.
- Article 17, Risk Committee, will confirm that a Director representing LSEG will be vice-chairman of the Risk Committee. The ToR must be reviewed annually by the Board, and (ii) are subject to the approval of the Board and to the consent of LSEG, in respect of the rights of LSEG under the ToR.
- Article 18, Nomination Committee, will be amended to remove any reference to the Group Nomination Committee and the requirement that, in the event LCH SA establishes its own Nomination Committee, its ToR must be substantially similar to the terms of reference of the LCH Group Nomination Committee. As amended, Article 18 will provide that the ToR of the Nomination Committee (i)

must be reviewed annually by the Board, and (ii) are subject to the approval of the Board and to the consent of LSEG.<sup>13</sup> In addition, Article 18 confirms that a Director representing LSEG will be a member of the Nomination Committee.

- Article 19, Remuneration Committee, will be amended to remove the provision requiring the ToR to take into account the remuneration policies and principles of the LCH Group Remuneration Committee (which is being disbanded). However, the requirement to take into account the remuneration policies and principles applied by LSEG for its executive management remains. Any change in LSEG's rights under the ToR is subject to LSEG's consent. Finally, Article 19 confirms that a Director representing LSEG will be a member of LCH SA's Remuneration Committee.
- Article 20, Technology, Security and Resilience Committee, is a new article that recognizes the establishment of the Technology, Security and Resilience Committee, and provides that its organization and functions will be set out in a ToR, which are reviewed annually and subject to the approval of the Board.
- Article 25, Related party agreements between LCH SA and a manager, a Director or a shareholder, will be amended to provide that any contracts and agreements

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<sup>13</sup> Note that, under Article 18, LSEG's consent is required for any amendment of the ToR of the Nomination Committee, not just amendments to LSEG's rights under the ToR. The reason for this slightly wider consent right (compared to other ToRs) is that the LCH Group Nomination Committee ToR required LSEG consent for any amendment, and the Relationship Agreement required any CCP Nomination Committee to have substantially similar terms to the LCH Group Nomination Committee ToR.

between LCH SA and LSEG or any member of the LSEG Group,<sup>14</sup> will be subject to the prior approval of a committee of the Board consisting solely of the independent non-executive directors of LCH SA. The article further provides that approval will be given provided that the contract or agreement is on bona fide arm's length terms. The committee's determination will be final.

- New Article 26, Group Compliance, will provide that, in light of LSEG's obligations under the Financial Conduct Authority's Listing Rules, the Board will notify LSEG of any proposed transaction in relation to LCH SA or of which the Board is otherwise aware that may constitute for LSEG either (i) a significant transaction under Listing Rule 10, or (ii) a related party transaction under Listing Rule 11. Further, if LSEG informs the Board that the proposed transaction constitutes a transaction (or other relevant matter) under Listing Rule 10 or 11, the transaction will not take place without the prior approval of LSEG.
- New Article 27, Amendment, will provide that the Board ToR may be amended by the Board, provided that any changes to LSEG's rights or any changes which would otherwise have a detrimental effect on LSEG's rights pursuant to the ToR will be subject to LSEG's consent.

#### **Terms of Reference of the Nomination Committee**

As noted earlier, as a part of the LCH Group governance changes, the committees of the Board of LCH Group will be disbanded. Therefore, LCH SA will establish its own Nomination Committee. Although this ToR is entirely new to LCH SA, it is based in

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<sup>14</sup> LSEG Group means London Stock Exchange Group plc and its subsidiaries from time to time other than those entities comprising the LCH Group.

substantial part on the provisions of the Group Nomination Committee applicable to LCH SA.

The structure of the Board established under the Nomination Committee ToR will be essentially the same as it is today. Specifically, Article 2, Purpose, will provide that the Nomination Committee will recommend: (i) an independent Chairman; (ii) up to four independent directors; (iii) up to two User Directors; (iii) a director nominated by LSEG; and (iv) a director nominated by Euronext.<sup>15</sup> In addition, the Board will have three Executive Directors: (a) the CEO of LCH SA; (b) the CEO of LCH Group; and (c) the chief risk officer of LCH Group, or “such other officer as may be proposed by the Group CEO”.

As discussed above, under the Nomination Committee ToR, there will be no change in the proportion of independent directors or the number of directors representing members and participants. It should be noted, however, that the Group Nomination Committee ToR had provided for up to two representatives of Venues. As explained earlier, with the exception of Euronext, there have been no Venue representatives on the LCH SA Board for some time. Because Euronext is entitled to Board representation through its contractual arrangements, *i.e.*, the Cash Clearing Agreement and Derivatives Clearing Agreement, LCH SA has determined that there is no reason to provide for additional Venue directors in the LCH SA Nomination Committee ToR.

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<sup>15</sup> Although both LSEG and Euronext are entitled to recommend the candidate to serve as a Director of the Board, the candidates are subject to consideration by the Nomination Committee and may be rejected if the Nomination Committee determines the candidate is not appropriate. In considering the candidates, the Nomination Committee will take into account (i) the seniority, experience, skill and expertise of each candidate, and (ii) the regulatory good standing of each candidate. ToR Articles 3 and 4.

Article 5, Executive Management Team, will provide that LCH SA's CEO, in consultation with the LCH Group CEO will be responsible for appointing the management team for LCH SA. This provision is intended to ensure independence at the CCP level.

Article 6, Duties and Powers of the Committee, will set out the duties and powers of the Nomination Committee. Among other duties, the committee must: (i) be satisfied that candidates understand the responsibilities of Board membership and be able to devote to necessary time to LCH SA matters; (ii) ensure that its recommended candidates are respected for their competence and are of good standing in their field of business; and (iii) keep itself informed of any changes in law or regulations applicable to the composition of the Board and other matters for which the committee is responsible.<sup>16</sup>

Article 7, Procedures of the Committee, will set out the procedures of the Nomination Committee. As they relate to the appointment of the Chairman and the Independent Directors, Article 7 will provide that the committee will maintain a short list of potential candidates and consult with the CEO of LCH Group and the CEO and the Chairman of LSEG as to the suitability of the candidates. With regard to the appointment of a new Chairman, the committee will also consult with the Independent Directors.

Article 7 further provides that, in determining whether a candidate is fit for appointment as Chairman or as an Independent Director, the committee will consider whether there are relationships or circumstances (including with LSEG or any member of

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<sup>16</sup> The Committee is also directed to consult periodically with the nomination committee of LCH Limited to ensure that there is a coordinated process for the appointment of suitable directors to the Board and the board of directors of LCH Limited.

LSEG Group) likely to affect such person’s judgment and whether the candidate has a relationship that would disqualify such person as a “public director” within the meaning of CFTC rules in force from time to time or as an “independent director” under any corporate governance standards applicable from time to time, or which the Board otherwise determines should be complied with in the interests of best practice corporate governance.<sup>17</sup>

Finally, in making recommendations with regard to Independent Directors, the committee will take into account that there should be among the Independent Directors: (i) a breadth of industry expertise and experience and product knowledge; (ii) particular expertise and experience in each of risk management, audit, clearing services and financial services; and (iii) diversity, including gender, age, geographical provenance, and educational and professional background.

The procedures for the appointment of User Directors are set out in Appendix to Article 7 (“Appendix”). Under these procedures, if a User Director retires from the Board, the committee may invite an “Eligible User”, as defined,<sup>18</sup> to nominate a candidate for appointment as a User Director on the Board (a “Nominating User”).<sup>19</sup> In selecting

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<sup>17</sup> If a recommended candidate appears to have any relationships that might call into question the candidate’s independence, the committee must specify why it believes the candidate is nonetheless independent.

<sup>18</sup> As defined in the Appendix, an “Eligible User” is a User Shareholder, *i.e.*, a clearing member that is also a shareholder of LCH Group, that is not connected with an existing director (other than a director that is retiring or removed in accordance with the Appendix) and has not served notice terminating its clearing relationship with any member of LCH Group.

<sup>19</sup> In addition to retiring voluntarily from the Board, a User Director must retire if the User Director: (i) retires or is removed as a result of the User Shareholder which nominated the User Director ceasing to be an Eligible User; (ii) retires or is

Nominating Users, the committee will consider those Eligible Users that the committee considers most likely to promote the success of LCH SA, having regard for: (i) the number of each Eligible User's contracts or trades (as the case may be) cleared by any member of LCH Group in the immediately preceding 12 months; (ii) any other contribution made to LCH Group's business by each Eligible User, including without limitation assistance provided to LCH Group in the development of new projects and the introduction to LCH Group of new clearing clients; (iii) the size of each Eligible User's shareholding in LCH Group; and (iv) how recently (if at all) the relevant Eligible User has been represented on any LCH Board, and the desirability of achieving a reasonably fair rotation of appointees among Eligible Users.

In deciding whether to approve a candidate for appointment to the Board (each, an "Approved Candidate"), the committee will have regard for: (i) the seniority, experience, skill and expertise of each candidate; (ii) the regulatory good standing of each candidate; (iii) the desirability of having deep expertise on a wide range of products, including those which pose the greatest risk challenges for LCH SA from time to time; and (iv) the desirability of having significant experience and expertise in LCH SA's principal markets; and (v) the desirability of diversity on the Board, including gender, age, geographical provenance, and educational and professional background.

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removed as a result of their ceasing to be employed by, or for any other reason upon request by, the User Shareholder which nominated the User Director; (iii) retires or is removed following a change of role within the User Shareholder, if such role change would result in the User Director concerned no longer being able to maintain the relevant skill and expertise; or (iv) is disqualified or removed in accordance with the LCH SA's articles of association.

From the Approved Candidates, the committee selects a number of “Proposed Directors” that is equal to the number of User Directors that are retiring from the Board and presents the Proposed Directors to LSEG for approval. If LSEG does not approve a Proposed Director, the Nominating User may accept LSEG’s decision, in which case, the committee may select another Proposed Director from among the Approved Candidates to be put to LSEG for approval, or the Nominating User may propose one or more alternative candidates to be considered and, if approved, be put to LSEG for approval.<sup>20</sup> Upon approval of a Proposed Candidate by LSEG, the committee will recommend the Proposed Director’s appointment to the Board.

Article 8, Tenure of Directors, will provide that each director (other than the Executive Directors and User Directors) will have, in principle, a maximum tenure on the Board of three three-year terms. However, the Committee may nominate an Independent Director for such longer period as is necessary to ensure that not all such Independent Directors’ appointments terminate at the same time. All User Directors will have a tenure on the Board of one three-year term, unless otherwise agreed by the Board to ensure that not all such User Directors’ appointments terminate at the same time. Article 8 further provides that the terms of appointment of each User Director will provide that the User Director must retire from the Board if any of the circumstances set out in subparagraphs 2(a) through 2(e) of the Appendix occurs.<sup>21</sup>

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<sup>20</sup> The committee is not required to select the alternative candidate as a Proposed Candidate.

<sup>21</sup> Paragraphs 2(a) through 2(e) of the Appendix provide that a User Director must retire if the User Director: (a) retires of the User Director’s own volition; (b) retires or is removed as a result of the User Shareholder that nominated the User Director ceasing to be an Eligible User; (c) retires or is removed as a result of the

Article 9, Membership of the Nomination Committee, will provide that the members of the Nomination Committee will be appointed by the Board and be comprised of four to six directors, including the Chairman, at least two Independent Directors, one User Director and the LSEG Director. The Chairman of the Board, or such other Independent Director as the Independent Directors and LSEG may agree, will be the Chairman of the committee.

Articles 10 and 12 through 16 will establish the Committee's policies with regard to the conduct of meetings. In this regard, these articles provide that: (i) LCH SA's secretary will be the secretary of the Committee (Article 10); (ii) notice of meetings will be provided by the secretary or Committee Chairman in a timely manner, along with an agenda and supporting documents (Article 12); (iii) the Committee will meet at least twice each year and as necessary to fulfill its duties (Article 13); (iv) Committee meetings may be held in person, by telephone, by video conference or any combination thereof, and decisions may be made by e-mail circulation, provided approval is unanimous (Article 14); (v) one Independent Director, one User Director, and the LSEG Director must be in attendance to constitute a quorum of the Committee, authorized to exercise all authorities of the Committee (Article 15); and the secretary will prepare minutes of all Committee meetings, which will be presented to the Committee for approval at its next meeting.

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User Director ceasing to be employed by, or for any other reason upon request by, the User Shareholder that nominated the User Director; (d) retires or is removed following a change of role within the User Shareholder, if such role change would result in the User Director concerned no longer being able to maintain the relevant skill and expertise; or (e) is disqualified or removed in accordance with LCH SA's Articles of Association.

Article 11, Tenure of Nomination Committee Members, will provide that, in the event a member of the Committee ceases to be a director or LCH SA, the member will automatically cease to be a member of the Committee.

Article 17, Reporting and Reviews, will provide that the Committee will furnish to the Board for approval each year a summary of (i) its activities, (ii) the process used to make nominations, (iii) a description of its policy on diversity (including gender), any measurable objectives it has set for implementing the policy and progress on achieving such objectives, and (iv) will either explain if external advice or search consultants have not been used or, if they have been used, identify them and state whether they have a connection with LCH SA.<sup>22</sup> Article 17 will further require the Committee Chairman, or the Chairman's designee, to make available to LCH SA's Chief Compliance Officer (the "Chief Compliance Officer") such information relating to the Committee's work as is necessary for the Chief Compliance Officer to draft and submit the annual compliance reports required by the CFTC Rules and other applicable regulations in force from time to time.

Article 18, Amendment, will provide that the ToR may be amended with approval of the Board, subject to LSEG's consent.

Article 19, Confidentiality and Conflicts of Interest, will set out the requirements with respect to confidentiality and conflicts of interest and provides that all confidential matters considered by the committee and any confidential information disclosed to members of the committee in connection with their position as a member of the

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<sup>22</sup> Following approval of the Committee's summary, it will be included as a section in LCH SA's annual report.

committee must remain confidential, notwithstanding the company to which that information relates, nor whether the member is a director of that company or not, except as required to be disclosed by law or regulation. Conflicts of interest relating to committee members will be governed by the relevant articles in LCH SA's Articles of Association.

Article 20, Other, will provide that (i) the Committee will have sufficient resources to carry out its duties, (ii) every member of the Committee will receive a copy of the ToR, and (iii) every member of the Committee will receive appropriate and timely training, including access to external consultancy support, when required.

#### **Terms of Reference of the Risk Committee**

No substantive changes are proposed to be made to the ToR of the Risk Committee. The ToR will be amended primarily to reflect the changes in the LCH Group governing arrangements. For example, (i) Article 1, Composition, will be revised to reference the criteria for independence set out in LCH SA's Nomination Committee ToR rather than in LCH Group's Nomination Committee ToR, and (ii) Article 16, Confidentiality and Conflicts of Interest, will be revised to remove reference to any rights LSEG may have in the Relationship Agreement and refer, instead, to rights LSEG or its representatives have under this ToR.

Article 1 will also be amended to remove as unnecessary the provision that authorized LSEG to appoint the Vice Chairman of the committee only for so long as LSEG is entitled to exercise or control the exercise of at least 40 percent of the votes able to be cast on all or substantially all matters at general meetings of LCH SA. Provided

such person has the skills and experience commensurate with such a role, LSEG will be entitled to appoint the Vice Chairman of the committee without restriction.<sup>23</sup>

Article 20, Other, will be amended to provide that LSEG must consent to any amendments to: (i) paragraph 1.2.6, recognizing the authority of LSEG's Head of Financial Risk (or delegate) to attend meeting of the Risk Committee; (ii) paragraph 1.4, authorizing LSEG to appoint the Vice Chairman of the committee; (iii) paragraph 16.1, relating to confidentiality and conflicts of interest; and (iv) paragraph 20.6, recognizing the provisions of the ToR requiring LSEG's consent. Further, no provisions of ToR may be amended without the approval of the Board.

#### **Terms of Reference of the Audit Committee**

No substantive changes are proposed to be made to the ToR of the Audit Committee. However, Article 2, Structure and Membership, will be revised to reference the criteria for independence set out in LCH SA's Nomination Committee ToR rather than in LCH Group's Nomination Committee ToR and, further, will be amended to provide that one member of the Audit Committee will be a director recommended or approved by LSEG.<sup>24</sup>

Article 3, Authority and Responsibilities, will be amended to remove the requirement that LCH SA's Audit Committee coordinate with the Audit Committee of

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<sup>23</sup> Article 17 of the ToR, Harmonization with LCH Limited, will be amended to remove references to LCH LLC. LCH LLC is registered with the CFTC as a DCO, although its registration is currently dormant.

<sup>24</sup> Article 2 will also be amended to remove as unnecessary references to the Relationship Agreement and the paragraph providing that LSEG will have the authority to appoint a member of the committee only for so long as LSEG is entitled to exercise or control the exercise of at least 20 percent of the votes able to be cast on all or substantially all matters at general meetings of LCH Group.

LCH Group. However, Article will be amended to require the committee to coordinate with the Technology, Security and Resilience Committee.<sup>25</sup> In addition, Article 3 will be amended to recognize that LCH SA has more than one External Auditor, and provide that, in making recommendations to the Board concerning the appointment, evaluation and termination of the engagement of the External Auditors for LCH SA, the Committee will take into account the auditor appointed by LSEG in respect of the wider LSEG Group. Article 3 will also be amended to provide that the Committee will review the annual audit plan prepared by LCH SA's Internal Audit department after approval by the LCH SA's CEO and ahead of any submission of the plan to LCH SA's regulator, if requested by the regulator. Finally, Article 3 will be amended to remove the requirement that the Committee respond to any requests from the LCH Group Audit Committee (which is being disbanded) to vary LCH SA's internal audit program of work.

Article 5, Reporting, will be amended to confirm that Committee secretary will present all minutes of the proceedings and resolutions of all Committee meetings to the Committee for approval at the next following meeting.

Current Article 8, Annual Evaluation and Terms of Reference Review, which provides that the Committee will arrange for periodic reviews of its own performance and, at least annually, arrange for independent internal review of its constitution and these Terms of Reference, will be removed. This review is conducted, instead, by the Board and executive management.

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<sup>25</sup> The Committee's obligation to coordinate with the LCH SA Risk Committee is unchanged.

Article 8, Amendments, will be added, which will specify those provisions of the ToR that may be approved solely by the Board and those provisions that will also require LSEG's consent.

### **Terms of Reference of the Remuneration Committee**

The ToR of the Remuneration Committee will be amended to reflect some minor changes in the remuneration process. For example, Article 1, Duties and Powers of the Committee will be revised to provide that the remuneration policies will apply to "Specified Executives" rather than "Executive Management". This is a technical change to confirm that the remuneration policies will apply only to those executives identified in the ToR or otherwise specified by the Board and will not apply to other LCH SA executives who otherwise might be deemed to fall within the category of "Executive Management" for other purposes. As defined, "Specified Executives" means, with respect to LCH SA, the Executive Directors, the CEO, the Chief Risk Officer, the Chief Compliance Officer, and any other personnel designated by the Board from time to time.<sup>26</sup> Further, the process by which the remuneration of the CEO or any Specified Executive may be submitted for approval by the Board and, subsequently, the LSEG remuneration committee will be simplified by removing the requirement that the Committee consult with the Chief Executive Officer of LSEG when making any change in the remuneration (including salary, bonus and long term incentives) of the CEO or any Specified Executive. It was determined that requiring the Committee to consult with the Chief Executive Officer of LSEG at the start of the process with regard to any changes in

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<sup>26</sup> "Specified Executives" also include any personnel with an annual remuneration package of more than €1,000,000 or equivalent, and the Chairman of the Board.

the remuneration of the LCH SA CEO or any Specified Executive is unnecessary, since the approval of the LSEG Remuneration Committee is required as a final step.<sup>27</sup> Article 1 will also be amended to require the Committee to review annually the ongoing appropriateness of any individual remuneration and to review for approval by the Board the design of all incentive plans and performance related pay schemes, including performance targets to be used, that are designed by and received from the LSEG remuneration committee.

Article 2, Composition of the Committee, will be revised to remove as unnecessary the provision that LSEG is entitled to appoint a representative to the committee only for so long LSEG is entitled to exercise or control the exercise of at least five percent of the votes able to be cast on all or substantially all matters at general meetings in Group.<sup>28</sup> LSEG will be entitled to appoint a representative to the committee at all times. Article 2 will also authorize the LCH Group CEO to attend committee meetings as an observer.

Article 10. Amendment, will be amended to confirm those paragraphs of the ToR that may only be amended with the approval of the Board and the consent of LSEG.

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<sup>27</sup> With regard to the remuneration of directors, Article I will be amended to provide that the committee will consult from time to time with the remuneration committee of LSEG and the remuneration committee of LCH Limited to ensure that there is a coordinated approach to the remuneration of directors on the Board and the board of directors of LCH Limited.

<sup>28</sup> Article 14, Other, will also be amended to remove the general provision that the rights of LSEG set out in the ToR will cease automatically if LSEG ceases to be entitled to exercise or control the exercise of at least five percent of the votes able to be cast on all or substantially all matters at general meetings of LCH Group.

Article 12, Confidentiality and Conflicts of Interest, will be revised to remove reference to any rights LSEG may have in the Relationship Agreement and refer, instead, to rights LSEG or its representatives have under this ToR.

**Terms of Reference of the Technology, Security and Resilience Committee**

Unrelated to the changes in its governance arrangements described above, LCH SA has also established ToR for a Technology, Security and Resilience Committee of the Board.

Article 1, Purpose, will provide that the purpose of the Committee is to “represent the interests of the Board in the sound management of technology, security and operational resilience, including cyber security, to ensure that technology security and operational resilience strategies, investments and outcomes support the mission, values, and strategic goals” of LCH SA, and determine whether management has put in place adequate strategies that provide reasonable assurance that LCH SA “operates within its risk appetite and complies with regulatory requirements.”

To this end, the Committee will assist the Board in fulfilling its responsibilities relating to, *inter alia*: (i) review of LCH SA’s Operations and Technology Strategy; (ii) review of significant investments in support of this strategy including application and infrastructure architecture; (iii) review of the frameworks, policies and strategies that set the internal control environment in relation to technology, security and operational resilience; (iv) review of the Operational Risk Management Framework; (v) review of LCH SA’s Strategy for Cyber Security and Information Security and for delivery of supporting programs; (vi) review of the integration of Digital and Physical Security and their alignment with Business Continuity Plans; and (vii) providing regulatory

attestations or declarations as may be required from time to time in relation to technology, security and operational resilience.

Article 2, Structure and Membership, will provide that the Committee will be comprised of at least four directors of the Board. At least two members of the Committee will be Independent Directors, one of whom will be appointed by the Chairman of the Committee. Both Independent Directors must satisfy the criteria for independence set out in the ToR of the Nomination Committee. One member of the Committee must also be a member of the Audit Committee.<sup>29</sup> All Committee members will be appointed by the Board in consultation with the Committee Chairman.

Article 2 will further provide that the Committee will meet as frequently as it determines necessary but must meet no less frequently than three times a year. Two members of the committee will constitute a quorum, provided at least one member is an independent director. Remuneration of the Committee members will be determined by the Board, and no member of the Committee may receive any consulting, performance, advisory or other compensatory fee from LCH SA other than fees paid in member's capacity as a member of the Board or as a member of a Committee of the Board.

Article 3, Reports to the Committee, will provide that the Committee will receive and review periodic management information for relevant operations and technology metrics and will align its meeting schedule with the requirements of the Board.

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<sup>29</sup> The Committee as a whole should have a breadth of experience to enable alignment with financial risk management, regulatory requirements and audit. Ideally, members of the Committee will also have significant, recent and relevant experience of the operations of LCH SA and its dependence on technology.

Article 4, Authority and Responsibilities, will describe the specific functions of the Committee, including: (i) reviewing LCH SA's operations and technology strategy and policies including application and infrastructure architecture; (ii) reviewing and, as appropriate, making recommendations to the Board regarding significant technology investments in support of LCH SA's technology strategy; (iii) reviewing and, as appropriate, making recommendations to the Board regarding the resources and delivery of LCH SA's technology programs; (iv) reviewing any information technology resilience, cyber and information security programs, tracking progress in relation to such programs and providing reports to the Board as appropriate; (v) reviewing any significant operations and technology risk exposures of LCH SA, including any detailed operational risk assessments with significant information technology elements and information security and cyber security risks, together with the steps management has taken to monitor and control such exposures; (vi) reviewing LCH SA's integrated security and resilience, including review of any new or novel approaches to information technology including security and resilience; (vii) reviewing reports from management regarding LCH SA's Business Continuity Management planning; (ix) receiving reports, as appropriate, from the Audit Committee regarding the results of reviews and assessments of LCH SA's operations and technology functions; and (x) reviewing reports, as appropriate, on operations and agreed metrics in conjunction with the Audit Committee.

Article 5, Provisions for Access, will confirm that the Committee (i) will have full and unrestricted access to management and employees of LCH SA and other members of the LCH Group, (ii) may obtain independent professional advice and the assistance of relevant experts outside of LCH SA, and (iii) will have full and unrestricted access to any

systems, records, facilities or other data from LCH SA or other member of LCH Group that it requires to carry out its functions.

Article 6, Reporting, will provide that the Committee Chairman will report the Committee's discussions, decisions and recommendations to the Board, which will decide on an appropriate policy response.<sup>30</sup> Further, the Committee Chairman, or the Chairman's designee, will make available to LCH SA's Chief Compliance Officer such information relating to the Committee's work as is necessary for the Chief Compliance Officer to draft and submit the annual compliance reports required by applicable regulations in force from time to time.

Article 7, Confidentiality and Conflicts of Interest, will set out the requirements with respect to confidentiality and conflicts of interest and provides that all confidential matters considered by the Committee and any confidential information disclosed to members of the Committee in connection with their position as a member of the Committee must remain confidential, notwithstanding the company to which that information relates, nor whether the member is a director of that company or not, except as required to Committee members will be governed by the relevant articles in LCH SA's Articles of Association.

## 2. Statutory Basis

LCH SA has determined that Proposed Rule Change is consistent with the requirements of Section 17A of the Act<sup>31</sup> and regulations thereunder applicable to it. In

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<sup>30</sup> The Committee will have no executive powers with respect to its findings and recommendations.

<sup>31</sup> *Id.*

particular, Section 17A(b)(3)(C) of the Act provides that the rules of a clearing agency must assure fair representation of its members and participants in the selection of its directors and the administration of its affairs.

As noted above, the Proposed Rule Change will not lead to any change in the proportion of independent directors or the number of directors representing members and participants. Therefore, the Board and the committees of the Board will continue to assure fair representation of its members and participants in the selection of its directors and the administration of its affairs as provided in section 17A(b)(3)(C) of the Act.<sup>32</sup>

Further, Section 17A(b)(3)(F) of the Act<sup>33</sup> provides that the rules of a clearing agency must be designed to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency. In this regard, the Proposed Rule Change will make no substantive changes to the risk management policies of LCH SA or, except as explained immediately below, to the obligations of the Board with respect to risk management.

The Proposed Rule Change will amend Article 12 of the Board of Directors ToR to clarify that the Board must approve at least annually the LCH Group Risk Governance Framework and LCH SA's various policies, including LCH SA's: (i) Financial Resource Adequacy Policy; (ii) Default Management Policy; (iii) Collateral Risk Policy; (iv) Investment Risk Policy; (v) Liquidity Risk Policy; (vi) Settlement, Payment & Custody Risk Policy; (vii) Counterparty Credit Risk Policy; (viii) Contract and Market Acceptability Policy; (ix) Model Governance, Validation & Review Policy; (x)

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<sup>32</sup> 15 U.S.C. 78q-1(b)(3)(C).

<sup>33</sup> 15 U.S.C. 78q-1(b)(3)(F).

Operational Risk Policy; (xi) and Procyclicality Policy and any significant changes to those policies upon recommendations from the Risk Committee.

By making no substantive changes to the risk management policies of LCH SA or to the obligations of the Board with respect to risk management and by clarifying the obligation of LCH SA's Board to approve the above policies annually, which policies collectively assure the safeguarding of securities and funds which are in the custody or control of LCH SA, the Proposed Rule Change is consistent with the requirements of Section 17A(b)(3)(F) of the Act.

Commission Rule 17Ad-22(e)(2) requires each registered clearing agency to “establish, implement, maintain and enforce written policies and procedures reasonably designed to provide for governance arrangements that: (i) are clear and transparent; (ii) support the public interest requirements in Section 17A of the Act applicable to clearing agencies, and the objectives of owners and participants; (iii) specify clear and direct lines of responsibility; and (vi) consider the interests of participants' customers . . . and other relevant stakeholders of the covered clearing agency.”<sup>34</sup>

As discussed above, the Proposed Rule Change is being adopted in significant part to conform LCH SA's Governance Documents to actions taken by LCH Group to simplify its governing arrangements and to eliminate provisions in LCH Group's governance documents that are unnecessary and outdated. Importantly, LCH Group and LSEG have decided to terminate the Relationship Agreement between them and remove duplication in board decision-making between LCH Group and the CCP Boards by

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<sup>34</sup> 17 C.F.R. 240.17Ad-22(e)(2).

making the LCH Group Board an internal only board and disbanding all LCH Group committees.

By simplifying its governance arrangements and eliminating provisions in LCH Group's governance documents that are unnecessary and outdated; by vesting in LCH SA's CEO responsibility for appointing LCH SA's management team; and by confirming that the Proposed Rule Change will not lead to any change in the proportion of independent directors or the number of directors representing members and participants, the Proposed Rule Change enhances LCH SA's governance arrangements and assures that they (i) remain clear and transparent (ii) continue to fulfill the public interest requirements in Section 17A of the Act applicable to clearing agencies by assuring fair representation of its members and participants in the selection of its directors and the administration of its affairs, (iii) support the objectives of members and participants, (iv) specify clear and direct lines of responsibility; and (v) consider the interests of participants' customers . . . and other relevant stakeholders of the covered clearing agency, within the meaning of SEC Rule 17Ad-22(e)(2).<sup>35</sup>

**Item 4. Clearing Agency's Statement on Burden on Competition**

Section 17A(b)(3)(I) of the Act requires that the rules of a clearing agency not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.<sup>36</sup> LCH SA does not believe the Proposed Rule Change would have any impact, or impose any burden, on competition. The Proposed Rule Change does not address any competitive issue or have any impact on the competition among central

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<sup>35</sup> 17 C.F.R. 240.17Ad-22(e)(2).

<sup>36</sup> 15 U.S.C. 78q-1(b)(3)(I).

counterparties. LCH SA operates an open access model, and the Proposed Rule Change will have no effect on this model.

**Item 5. Clearing Agency's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others**

Written comments relating to the Proposed Rule Change have not been solicited or received. LCH SA will notify the Commission of any written comments received by LCH SA.

**Item 6. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

LCH SA does not consent to an extension of the time period for Commission action.

**Item 7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)**

Not applicable.

**Item 8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission**

Not applicable.

**Item 9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act**

Not applicable.

**Item 10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act**

Not applicable.

**Item 11. Exhibits**

Exhibit 1A. Completed Notice of Proposed Rule Change for publication in the Federal Register.

Exhibit 5. Text of the Proposed Rule Change:

Exhibit 5A – Terms of Reference of the Board of Directors

Exhibit 5B – Terms of Reference of the Nomination Committee

Exhibit 5C – Terms of Reference of the Risk Committee

Exhibit 5D – Terms of Reference of the Audit Committee

Exhibit 5E – Terms of Reference of the Remuneration Committee

Exhibit 5F – Terms of Reference of the Technology, Security and Resilience Committee

### **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, Banque Centrale de Compensation has caused this filing to be signed on its behalf by the undersigned hereunto duly authorized.

**BANQUE CENTRALE DE  
COMPENSATION**



By: \_\_\_\_\_

**Francois Faure**  
**Chief Compliance Officer**

**EXHIBIT 1A**

## SECURITIES AND EXCHANGE COMMISSION

(Release No. \_\_\_\_\_; File No. SR-LCH SA-2020-003)

\_\_\_\_\_, 2020

Self-Regulatory Organizations; LCH SA; Notice of Filing of Proposed Rule Change Relating to LCH SA's Governance Arrangements

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4,<sup>2</sup> notice is hereby given that on \_\_\_\_\_, 2020, Banque Centrale de Compensation, which conducts business under the name LCH SA ("LCH SA"), filed with the Securities and Exchange Commission ("Commission") the proposed rule change ("Proposed Rule Change"), as described in Items I, II and III below, which Items have been prepared by the clearing agency. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

**I. Clearing Agency's Statement of the Terms of Substance of the Proposed Rule Change**

LCH SA, a registered clearing agency and self-regulatory organization, is a majority-owned subsidiary of LCH Group Holdings Limited ("LCH Group").<sup>3</sup> LCH Group is indirectly majority-owned by London Stock Exchange Group PLC ("LSEG"). LCH SA is proposing to amend its governance documents ("Governance Documents")

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<sup>1</sup> 15 U.S.C. 78s(b)(1)

<sup>2</sup> 17 C.F.R. 240.19b-4.

<sup>3</sup> LCH Group owns 88.9 percent of LCH SA; Euronext N.V. owns 11.1 percent of LCH SA. LCH Group is also the parent of LCH Limited, a central counterparty ("CCP") authorized to offer services and activities in the European Union in accordance with the European Markets Infrastructure Regulation ("EMIR") and registered with the Commodity Futures Trading Commission ("CFTC") as a derivatives clearing organization ("DCO").

including: (i) the Terms of Reference (“ToR”) of the Board of Directors (“Board”); and (ii) the TOR of the current committees of the Board. The Proposed Rule Change will also establish ToR of a Nominating Committee for LCH SA.

**II. Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

In its filing with the Commission, LCH SA included statements concerning the purpose of and basis for the Proposed Rule Change and discussed any comments it received on the Proposed Rule Change. The text of these statements may be examined at the places specified in Item IV below. LCH SA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Proposed Rule Change is being adopted in significant part to conform LCH SA’s Governance Documents to actions taken by LCH Group to simplify its governing arrangements and to eliminate provisions in LCH Group’s governance documents that they have determined are unnecessary and outdated. These changes will allow the LCH group as a whole to operate more efficiently and effectively. Although LCH SA’s Governance Documents will be revised to reflect the changes to the LCH Group’s governing arrangements described below, in practice, these revisions will not result in any substantive changes in LCH SA’s current governance.

a. Background

In connection with its purchase of approximately 58 percent of LCH Group<sup>4</sup> in 2013, LSEG entered into a Relationship Agreement with LCH Group for the purpose of (i) assuring certain protections for minority LCH Group shareholders, (ii) providing for representation of stakeholders in the CCPs that comprise LCH Group, *i.e.*, the clearing members of each CCP and the exchanges whose transactions were cleared through LCH SA or LCH Limited, and (iii) recognizing LSEG's requirements as majority shareholder for appropriate controls over LCH Group.<sup>5</sup> To this end, among other provisions, the Relationship Agreement: (i) set out certain Core Operating Principles to be applied in managing the business of LCH Group; (ii) provided that the Board of Directors of LCH Group and each CCP would be comprised of a prescribed mix of independent non-executive directors, executive directors, User Directors,<sup>6</sup> exchanges ("Venues") and LSEG representatives; (iii) provided that LCH Group would have a separate Audit Committee and Remuneration Committee independent of the parallel committees at each CCP; and (iv) provided for a Nomination Committee, which would be responsible for nominating independent non-executive directors, User Directors and Venue Directors of the Board of Directors and committee members at LCH Group and each CCP.

The Relationship Agreement also provided for certain minority protection reserved matters, which would require the approval of 80 percent of votes cast on a

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<sup>4</sup> LCH Group was then known as LCH.Clearnet Group Limited.

<sup>5</sup> As appropriate, provisions of the Relationship Agreement were reflected in the LCH Group Articles of Association and the ToR of the LCH Group Board of Directors.

<sup>6</sup> User Directors are individuals that are associated with or connected to clearing members that are also shareholders of LCH Group.

resolution, including: (i) altering the constitutional documents of LCH Group; (ii) making material changes to the Core Operating Principles; (iii) proposals to wind-up LCH Group or any material LCH Group company; and (iv) material amendments to the Relationship Agreement.

In addition, the Relationship Agreement contained customary consent rights for LSEG as a majority shareholder, including: (i) approval of business and budget plans; (ii) matters representing changes from the Core Operating Principles; (iii) material changes to regulatory obligations and risk profile; (iv) material acquisitions/disposals; and (v) settlement of material litigation (collectively, “Consent Matters”). The Relationship Agreement also reserved for LSEG the right to put certain matters to shareholder vote where LCH Group either failed to consider the matter or considered it and voted it down (“Push Matters”).<sup>7</sup>

As noted above, LCH Group has determined to simplify its governing arrangements and to eliminate provisions in LCH Group’s governance documents that are unnecessary and outdated. In this regard, LCH Group and LSEG have decided to terminate the Relationship Agreement and to remove duplication in board decision-making between LCH Group and the CCP Boards by making the LCH Group Board an internal only board, *i.e.*, comprised only of representatives of LSEG and LCH Group. The LCH Group Articles of Association similarly will be revised to eliminate those provisions arising from the Relationship Agreement.

The Relationship Agreement is no longer necessary because certain contractual provisions are provided for in law of regulation and other provisions are historic and no

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<sup>7</sup> LSEG never exercised this right.

longer relevant. Importantly, since 2013, LSEG has added to its shareholdings in LCH Group and now owns approximately 83 percent of LCH Group. Therefore, the minority protection provisions noted above are no longer relevant as LSEG alone could approve such matters by voting its shares. As explained below, however, certain protections in the Relationship Agreement will be incorporated into the revised ToR of the Board of Directors.<sup>8</sup>

b. Proposed Amendments to the ToR

As noted earlier, the Proposed Rule Change is being adopted in significant part to conform LCH SA's Governance Documents to actions taken by LCH Group to simplify its governing arrangements. These changes will allow the LCH group as a whole to operate more efficiently and effectively. Importantly, there will be no change in the proportion of independent directors<sup>9</sup> or the number of directors representing members and participants. Therefore, the Board and the committees of the Board will continue to assure fair representation of its members and participants in the selection of its directors and the administration of its affairs as provided in section 17A(b)(3)(C) of the Act.<sup>10</sup>

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<sup>8</sup> Such protections include but are not limited to certain consent rights and the right to have a representative on the Board of Directors of LCH SA and LCH Limited, as well as the several committees of LCH SA and LCH Limited

<sup>9</sup> The ToR of the LCH SA Board defines an independent director as a director who satisfies applicable Regulatory Requirements, *i.e.*, any regulation or requirement of applicable law or of any applicable regulatory body, regarding independent directors, and who is appointed in accordance with the Nomination Committee ToR.

<sup>10</sup> 15 U.S.C. 78q-1(b)(3)(C).

### Terms of Reference of the Board of Directors

The ToR of the Board will be amended as necessary to remove those provisions that are no longer required as a result of the termination of the Relationship Agreement and the amendment of the LCH Group Articles of Association:

- Article 2, Definitions, will be amended to remove those definitions arising from the Relationship Agreement, including: (i) Core Operating Principles; (ii) Customer; (iii) Customer Director; (iv) Group Nomination Committee (which is being disbanded); (v) LSEG Audit Representative; (vi) LSEG Consent Matters; (vii) LSEG NomCom Representative; (viii) Material Interest; (ix) Minority Protection Reserved Matters; (x) Push Matters; (xi) Relationship Agreement; (xii) Significant Interest; (xiii) Venue; (xiv) Venue Director.
- Article 3, Composition of the Board, will be amended (i) to remove the requirement that the Chairman of LCH Group will be a non-executive director of the Board, (ii) to confirm that LSEG is entitled to a representative on the Board unconditionally,<sup>11</sup> (iii) to remove the requirement for a Venue Director,<sup>12</sup> and (iv)

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<sup>11</sup> Article 3 currently provides that LSEG is entitled to a representative on the Board “for so long as LSEG is entitled to exercise or control the exercise of at least 5 percent of the votes able to be cast on all or substantially all matters at general meetings in LCH Group Holdings Limited”.

<sup>12</sup> With the exception of Euronext, there have been no Venue representatives on the LCH SA Board for some time. This is because a Venue must also be a shareholder of LCH Group in order to qualify for representation on the Board. Nasdaq was the last significant Venue on the LCH Group shareholder register but sold its stake in 2018. Since then, there has only been one entity that is a combination of a User/Venue and that entity has shown no interest in being represented on any LCH board. Euronext was a shareholder of LCH Group, but moved its ownership stake to LCH SA in 2017. However, it is entitled to a Board representation through its contractual arrangements, *i.e.*, the Cash Clearing Agreement and Derivatives Clearing Agreement.

to confirm that Euronext is entitled to propose the appointment of a representative to the Board as long as either the Cash Clearing Agreement or the Derivatives Clearing Agreement between Euronext and LCH SA remains in force.<sup>13</sup> Article 3 will be further amended to provide that the Chief Risk Officer of LCH Group may, but is not required to, be one of the three executive Directors of the Board. Article 3 currently provides that the Chief Risk Officer of LCH Group, along with the CEO of LCH SA and the CEO of LCH Group will be the executive Directors of the Board. Finally, Article 3 references the new Nomination Committee, rather than the Group Nomination Committee.

- Article 4, Rules applicable to Directors, will be amended to remove references to the Relationship Agreement (and Consent Matters, Minority Protection Reserved Matters and Push Matters therein) and refer only to rights of consent that LSEG may have under this ToR.
- Article 6, Quorum, will be amended to make a technical correction to the first sentence of the article. The sentence currently provides that the Board “may validly deliberate only if half of the Directors are present.” This sentence could be interpreted to mean that the Board could not deliberate if more than half of the Directors are present, which clearly is not intended. As proposed to be revised, this sentence will confirm that the Board “may validly deliberate only if at least half of the Directors are present.”

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<sup>13</sup> In accordance with the terms of the agreement pursuant to which Euronext N.V. purchased 11.1 percent of the shares of LCH SA, Euronext is already entitled to propose a representative to the Board.

- Article 12, Powers of the Board, will be amended to remove references to the Relationship Agreement, including the Core Operating Principles. However, the amendments to Article 12 will also confirm that the Board's authority with respect to certain matters remains subject to LSEG's consent. These matters, previously included in the Relationship Agreement, include: (i) approval of LCH SA's annual operating and capital expenditure budget; (ii) approval of any material changes to LCH SA's budget; (iii) approval of the terms and conditions of any merger agreement between the LCH SA and a third party; and (iv) approval of a decision of LCH SA to issue new shares. LSEG's consent will also be required with regard to any matter that constitutes a material increase in the risk profile of LCH SA's investment policy or capital management policy that would result in a material decrease in LCH SA's available liquidity resources (subject to certain exceptions). In addition, LSEG's consent will be required with respect to (a) any recommended changes to the structure, size and composition of the Board that the Board, upon recommendations from the Nomination Committee, may recommend for approval by a general meeting of the shareholders, and (b) the ToR of any Board committees and any changes thereto, to the extent provided for in the ToR of the Board or the ToR of the affected committee.

Article 12 will also be amended to reflect the existing group dividend policy including the factors to be taken into account when determining the dividend (as currently set out in the Relationship Agreement and the Euronext shareholders' agreement). Dividends are subject to the vote of the shareholders, having regard

for: (i) applicable regulatory and regulatory capital requirements; (ii) restrictions in any finance documents; (iii) investment to support capital expenditure contemplated by the business plan and budget from time to time, including technology, taking into account future expected cash flows; and (iv) applicable laws.

Moreover, Article 12 will be amended to clarify that the Board will approve at least annually the LCH Group Risk Governance Framework and LCH SA's various policies, including LCH SA's: (i) Financial Resource Adequacy Policy; (ii) Default Management Policy; (iii) Collateral Risk Policy; (iv) Investment Risk Policy; (v) Liquidity Risk Policy; (vi) Settlement, Payment & Custody Risk Policy; (vii) Counterparty Credit Risk Policy; (viii) Contract and Market Acceptability Policy; (ix) Model Governance, Validation & Review Policy; (x) Operational Risk Policy; (xi) and Procyclicality Policy and any significant changes to those policies upon recommendations from the Risk Committee. Finally, Article 12 will be amended to confirm that, in appointing the Chairman of the Board and the LCH SA CEO, the Board will act in accordance with the ToR of the Nomination Committee.

- Article 13, Company management (Chairman – CEO), will be amended to provide that certain actions, which previously the CEO was authorized to take with the consent of the Board, may be undertaken only after consultation with the board of LCH Group. These activities include: (i) any type of joint venture arrangement between LCH SA and any third party; (ii) any acquisition of a business with a valuation representing five percent or more of LCH SA's net

revenue stated in the last audited accounts published by LCH SA; (iii) any disposal of all or any material part of LCH SA's business; (iv) any decision to cease to operate all or any material part of LCH SA's business; (v) any acquisition or disposal of shares or any interest in shares of LCH SA, any significant investment in any third party or the making of any takeover offer; and (vi) any material acquisitions and disposals, including in relation to intellectual property and LCH SA's various business segments and group undertakings.<sup>14</sup> In addition, Article 13 will be amended to authorize the CEO or the CEO's management team to provide to LSEG (subject to all laws and regulations (including antitrust laws and regulations)), (a) sufficient financial and other information that LSEG may reasonably require to meet any applicable reporting requirements or standards and LSEG's budgeting and forecasting processes; and (b) the audited accounts for each financial year and monthly management reports, consistent with LSEG's existing rights under the Relationship Agreement.

Article 13 will also be amended to provide that, in line with LSEG's consent rights in the Relationship Agreement, LSEG will have the right to consent with regard to the settlement of any litigation that could result in a payment to or by LCH SA in excess of €2,000,000 and with regard to any IT investments proposed to be made by LCH SA if they exceed an aggregate annual amount of € 3,000,000.

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<sup>14</sup> For the purposes of this paragraph, an acquisition or disposal will be material if the value of the consideration or the assets that are the subject of the transaction exceed an aggregate amount of €10,000,000.

- Article 14, Conflicts of Interest, will be amended to provide that, notwithstanding the general prohibition on a Director nominated by a shareholder of LCH Group from sharing information with the shareholder of LCH Group without the consent of the independent non-executive Directors of the Board, information may be shared with LSEG, in its capacity as an indirect shareholder of LCH SA, for legal, accounting, tax regulatory or disclosure purposes.
- Article 15, Committees of the Board, will be amended to note (i) the addition of a new committee, the Technology, Security and Resilience Committee, and (ii) that the Group Nomination Committee is now the Nomination Committee, *i.e.*, a committee of LCH SA.
- Article 16, Audit Committee, will be amended to remove the requirement that the ToR of the Audit Committee must be substantially similar to the terms of reference of the Audit Committee of LCH Group (as this will no longer exist) and to recognize that changes in the ToR may be required by LCH SA's regulators (and not LCH Group's regulators) or any applicable law or regulation. The ToR must be reviewed annually by the Board, and (ii) are subject to the approval of the Board and to the consent of LSEG, in respect of the rights of LSEG under the ToR. Finally, the amended Article 16 will confirm that a Director representing LSEG and a Director representing Euronext will be a part of the Audit Committee.
- Article 17, Risk Committee, will confirm that a Director representing LSEG will be vice-chairman of the Risk Committee. The ToR must be reviewed annually by

the Board, and (ii) are subject to the approval of the Board and to the consent of LSEG, in respect of the rights of LSEG under the ToR.

- Article 18, Nomination Committee, will be amended to remove any reference to the Group Nomination Committee and the requirement that, in the event LCH SA establishes its own Nomination Committee, its ToR must be substantially similar to the terms of reference of the LCH Group Nomination Committee. As amended, Article 18 will provide that the ToR of the Nomination Committee (i) must be reviewed annually by the Board, and (ii) are subject to the approval of the Board and to the consent of LSEG.<sup>15</sup> In addition, Article 18 confirms that a Director representing LSEG will be a member of the Nomination Committee.
- Article 19, Remuneration Committee, will be amended to remove the provision requiring the ToR to take into account the remuneration policies and principles of the LCH Group Remuneration Committee (which is being disbanded). However, the requirement to take into account the remuneration policies and principles applied by LSEG for its executive management remains. Any change in LSEG's rights under the ToR is subject to LSEG's consent. Finally, Article 19 confirms that a Director representing LSEG will be a member of LCH SA's Remuneration Committee.

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<sup>15</sup> Note that, under Article 18, LSEG's consent is required for any amendment of the ToR of the Nomination Committee, not just amendments to LSEG's rights under the ToR. The reason for this slightly wider consent right (compared to other ToRs) is that the LCH Group Nomination Committee ToR required LSEG consent for any amendment, and the Relationship Agreement required any CCP Nomination Committee to have substantially similar terms to the LCH Group Nomination Committee ToR.

- Article 20, Technology, Security and Resilience Committee, is a new article that recognizes the establishment of the Technology, Security and Resilience Committee, and provides that its organization and functions will be set out in a ToR, which are reviewed annually and subject to the approval of the Board.
- Article 25, Related party agreements between LCH SA and a manager, a Director or a shareholder, will be amended to provide that any contracts and agreements between LCH SA and LSEG or any member of the LSEG Group,<sup>16</sup> will be subject to the prior approval of a committee of the Board consisting solely of the independent non-executive directors of LCH SA. The article further provides that approval will be given provided that the contract or agreement is on bona fide arm's length terms. The committee's determination will be final.
- New Article 26, Group Compliance, will provide that, in light of LSEG's obligations under the Financial Conduct Authority's Listing Rules, the Board will notify LSEG of any proposed transaction in relation to LCH SA or of which the Board is otherwise aware that may constitute for LSEG either (i) a significant transaction under Listing Rule 10, or (ii) a related party transaction under Listing Rule 11. Further, if LSEG informs the Board that the proposed transaction constitutes a transaction (or other relevant matter) under Listing Rule 10 or 11, the transaction will not take place without the prior approval of LSEG.
- New Article 27, Amendment, will provide that the Board ToR may be amended by the Board, provided that any changes to LSEG's rights or any changes which

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<sup>16</sup> LSEG Group means London Stock Exchange Group plc and its subsidiaries from time to time other than those entities comprising the LCH Group.

would otherwise have a detrimental effect on LSEG's rights pursuant to the ToR will be subject to LSEG's consent.

### **Terms of Reference of the Nomination Committee**

As noted earlier, as a part of the LCH Group governance changes, the committees of the Board of LCH Group will be disbanded. Therefore, LCH SA will establish its own Nomination Committee. Although this ToR is entirely new to LCH SA, it is based in substantial part on the provisions of the Group Nomination Committee applicable to LCH SA.

The structure of the Board established under the Nomination Committee ToR will be essentially the same as it is today. Specifically, Article 2, Purpose, will provide that the Nomination Committee will recommend: (i) an independent Chairman; (ii) up to four independent directors; (iii) up to two User Directors; (iii) a director nominated by LSEG; and (iv) a director nominated by Euronext.<sup>17</sup> In addition, the Board will have three Executive Directors: (a) the CEO of LCH SA; (b) the CEO of LCH Group; and (c) the chief risk officer of LCH Group, or "such other officer as may be proposed by the Group CEO".

As discussed above, under the Nomination Committee ToR, there will be no change in the proportion of independent directors or the number of directors representing

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<sup>17</sup> Although both LSEG and Euronext are entitled to recommend the candidate to serve as a Director of the Board, the candidates are subject to consideration by the Nomination Committee and may be rejected if the Nomination Committee determines the candidate is not appropriate. In considering the candidates, the Nomination Committee will take into account (i) the seniority, experience, skill and expertise of each candidate, and (ii) the regulatory good standing of each candidate. ToR Articles 3 and 4.

members and participants. It should be noted, however, that the Group Nomination Committee ToR had provided for up to two representatives of Venues. As explained earlier, with the exception of Euronext, there have been no Venue representatives on the LCH SA Board for some time. Because Euronext is entitled to Board representation through its contractual arrangements, *i.e.*, the Cash Clearing Agreement and Derivatives Clearing Agreement, LCH SA has determined that there is no reason to provide for additional Venue directors in the LCH SA Nomination Committee ToR.

Article 5, Executive Management Team, will provide that LCH SA's CEO, in consultation with the LCH Group CEO will be responsible for appointing the management team for LCH SA. This provision is intended to ensure independence at the CCP level.

Article 6, Duties and Powers of the Committee, will set out the duties and powers of the Nomination Committee. Among other duties, the committee must: (i) be satisfied that candidates understand the responsibilities of Board membership and be able to devote to necessary time to LCH SA matters; (ii) ensure that its recommended candidates are respected for their competence and are of good standing in their field of business; and (iii) keep itself informed of any changes in law or regulations applicable to the composition of the Board and other matters for which the committee is responsible.<sup>18</sup>

Article 7, Procedures of the Committee, will set out the procedures of the Nomination Committee. As they relate to the appointment of the Chairman and the

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<sup>18</sup> The Committee is also directed to consult periodically with the nomination committee of LCH Limited to ensure that there is a coordinated process for the appointment of suitable directors to the Board and the board of directors of LCH Limited.

Independent Directors, Article 7 will provide that the committee will maintain a short list of potential candidates and consult with the CEO of LCH Group and the CEO and the Chairman of LSEG as to the suitability of the candidates. With regard to the appointment of a new Chairman, the committee will also consult with the Independent Directors.

Article 7 further provides that, in determining whether a candidate is fit for appointment as Chairman or as an Independent Director, the committee will consider whether there are relationships or circumstances (including with LSEG or any member of LSEG Group) likely to affect such person's judgment and whether the candidate has a relationship that would disqualify such person as a "public director" within the meaning of CFTC rules in force from time to time or as an "independent director" under any corporate governance standards applicable from time to time, or which the Board otherwise determines should be complied with in the interests of best practice corporate governance.<sup>19</sup>

Finally, in making recommendations with regard to Independent Directors, the committee will take into account that there should be among the Independent Directors: (i) a breadth of industry expertise and experience and product knowledge; (ii) particular expertise and experience in each of risk management, audit, clearing services and financial services; and (iii) diversity, including gender, age, geographical provenance, and educational and professional background.

The procedures for the appointment of User Directors are set out in Appendix to Article 7 ("Appendix"). Under these procedures, if a User Director retires from the

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<sup>19</sup> If a recommended candidate appears to have any relationships that might call into question the candidate's independence, the committee must specify why it believes the candidate is nonetheless independent.

Board, the committee may invite an “Eligible User”, as defined,<sup>20</sup> to nominate a candidate for appointment as a User Director on the Board (a “Nominating User”).<sup>21</sup> In selecting Nominating Users, the committee will consider those Eligible Users that the committee considers most likely to promote the success of LCH SA, having regard for: (i) the number of each Eligible User’s contracts or trades (as the case may be) cleared by any member of LCH Group in the immediately preceding 12 months; (ii) any other contribution made to LCH Group’s business by each Eligible User, including without limitation assistance provided to LCH Group in the development of new projects and the introduction to LCH Group of new clearing clients; (iii) the size of each Eligible User’s shareholding in LCH Group; and (iv) how recently (if at all) the relevant Eligible User has been represented on any LCH Board, and the desirability of achieving a reasonably fair rotation of appointees among Eligible Users.

In deciding whether to approve a candidate for appointment to the Board (each, an “Approved Candidate”), the committee will have regard for: (i) the seniority, experience, skill and expertise of each candidate; (ii) the regulatory good standing of each candidate;

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<sup>20</sup> As defined in the Appendix, an “Eligible User” is a User Shareholder, *i.e.*, a clearing member that is also a shareholder of LCH Group, that is not connected with an existing director (other than a director that is retiring or removed in accordance with the Appendix) and has not served notice terminating its clearing relationship with any member of LCH Group.

<sup>21</sup> In addition to retiring voluntarily from the Board, a User Director must retire if the User Director: (i) retires or is removed as a result of the User Shareholder which nominated the User Director ceasing to be an Eligible User; (ii) retires or is removed as a result of their ceasing to be employed by, or for any other reason upon request by, the User Shareholder which nominated the User Director; (iii) retires or is removed following a change of role within the User Shareholder, if such role change would result in the User Director concerned no longer being able to maintain the relevant skill and expertise; or (iv) is disqualified or removed in accordance with the LCH SA’s articles of association.

(iii) the desirability of having deep expertise on a wide range of products, including those which pose the greatest risk challenges for LCH SA from time to time; and (iv) the desirability of having significant experience and expertise in LCH SA's principal markets; and (v) the desirability of diversity on the Board, including gender, age, geographical provenance, and educational and professional background.

From the Approved Candidates, the committee selects a number of "Proposed Directors" that is equal to the number of User Directors that are retiring from the Board and presents the Proposed Directors to LSEG for approval. If LSEG does not approve a Proposed Director, the Nominating User may accept LSEG's decision, in which case, the committee may select another Proposed Director from among the Approved Candidates to be put to LSEG for approval, or the Nominating User may propose one or more alternative candidates to be considered and, if approved, be put to LSEG for approval.<sup>22</sup> Upon approval of a Proposed Candidate by LSEG, the committee will recommend the Proposed Director's appointment to the Board.

Article 8, Tenure of Directors, will provide that each director (other than the Executive Directors and User Directors) will have, in principle, a maximum tenure on the Board of three three-year terms. However, the Committee may nominate an Independent Director for such longer period as is necessary to ensure that not all such Independent Directors' appointments terminate at the same time. All User Directors will have a tenure on the Board of one three-year term, unless otherwise agreed by the Board to ensure that not all such User Directors' appointments terminate at the same time. Article

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<sup>22</sup> The committee is not required to select the alternative candidate as a Proposed Candidate.

8 further provides that the terms of appointment of each User Director will provide that the User Director must retire from the Board if any of the circumstances set out in subparagraphs 2(a) through 2(e) of the Appendix occurs.<sup>23</sup>

Article 9, Membership of the Nomination Committee, will provide that the members of the Nomination Committee will be appointed by the Board and be comprised of four to six directors, including the Chairman, at least two Independent Directors, one User Director and the LSEG Director. The Chairman of the Board, or such other Independent Director as the Independent Directors and LSEG may agree, will be the Chairman of the committee.

Articles 10 and 12 through 16 will establish the Committee's policies with regard to the conduct of meetings. In this regard, these articles provide that: (i) LCH SA's secretary will be the secretary of the Committee (Article 10); (ii) notice of meetings will be provided by the secretary or Committee Chairman in a timely manner, along with an agenda and supporting documents (Article 12); (iii) the Committee will meet at least twice each year and as necessary to fulfill its duties (Article 13); (iv) Committee meetings may be held in person, by telephone, by video conference or any combination thereof, and decisions may be made by e-mail circulation, provided approval is unanimous

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<sup>23</sup> Paragraphs 2(a) through 2(e) of the Appendix provide that a User Director must retire if the User Director: (a) retires of the User Director's own volition; (b) retires or is removed as a result of the User Shareholder that nominated the User Director ceasing to be an Eligible User; (c) retires or is removed as a result of the User Director ceasing to be employed by, or for any other reason upon request by, the User Shareholder that nominated the User Director; (d) retires or is removed following a change of role within the User Shareholder, if such role change would result in the User Director concerned no longer being able to maintain the relevant skill and expertise; or (e) is disqualified or removed in accordance with LCH SA's Articles of Association.

(Article 14); (v) one Independent Director, one User Director, and the LSEG Director must be in attendance to constitute a quorum of the Committee, authorized to exercise all authorities of the Committee (Article 15); and the secretary will prepare minutes of all Committee meetings, which will be presented to the Committee for approval at its next meeting.

Article 11, Tenure of Nomination Committee Members, will provide that, in the event a member of the Committee ceases to be a director or LCH SA, the member will automatically cease to be a member of the Committee.

Article 17, Reporting and Reviews, will provide that the Committee will furnish to the Board for approval each year a summary of (i) its activities, (ii) the process used to make nominations, (iii) a description of its policy on diversity (including gender), any measurable objectives it has set for implementing the policy and progress on achieving such objectives, and (iv) will either explain if external advice or search consultants have not been used or, if they have been used, identify them and state whether they have a connection with LCH SA.<sup>24</sup> Article 17 will further require the Committee Chairman, or the Chairman's designee, to make available to LCH SA's Chief Compliance Officer (the "Chief Compliance Officer") such information relating to the Committee's work as is necessary for the Chief Compliance Officer to draft and submit the annual compliance reports required by the CFTC Rules and other applicable regulations in force from time to time.

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<sup>24</sup> Following approval of the Committee's summary, it will be included as a section in LCH SA's annual report.

Article 18, Amendment, will provide that the ToR may be amended with approval of the Board, subject to LSEG's consent.

Article 19, Confidentiality and Conflicts of Interest, will set out the requirements with respect to confidentiality and conflicts of interest and provides that all confidential matters considered by the committee and any confidential information disclosed to members of the committee in connection with their position as a member of the committee must remain confidential, notwithstanding the company to which that information relates, nor whether the member is a director of that company or not, except as required to be disclosed by law or regulation. Conflicts of interest relating to committee members will be governed by the relevant articles in LCH SA's Articles of Association.

Article 20, Other, will provide that (i) the Committee will have sufficient resources to carry out its duties, (ii) every member of the Committee will receive a copy of the ToR, and (iii) every member of the Committee will receive appropriate and timely training, including access to external consultancy support, when required.

#### **Terms of Reference of the Risk Committee**

No substantive changes are proposed to be made to the ToR of the Risk Committee. The ToR will be amended primarily to reflect the changes in the LCH Group governing arrangements. For example, (i) Article 1, Composition, will be revised to reference the criteria for independence set out in LCH SA's Nomination Committee ToR rather than in LCH Group's Nomination Committee ToR, and (ii) Article 16, Confidentiality and Conflicts of Interest, will be revised to remove reference to any rights

LSEG may have in the Relationship Agreement and refer, instead, to rights LSEG or its representatives have under this ToR.

Article 1 will also be amended to remove as unnecessary the provision that authorized LSEG to appoint the Vice Chairman of the committee only for so long as LSEG is entitled to exercise or control the exercise of at least 40 percent of the votes able to be cast on all or substantially all matters at general meetings of LCH SA. Provided such person has the skills and experience commensurate with such a role, LSEG will be entitled to appoint the Vice Chairman of the committee without restriction.<sup>25</sup>

Article 20, Other, will be amended to provide that LSEG must consent to any amendments to: (i) paragraph 1.2.6, recognizing the authority of LSEG's Head of Financial Risk (or delegate) to attend meeting of the Risk Committee; (ii) paragraph 1.4, authorizing LSEG to appoint the Vice Chairman of the committee; (iii) paragraph 16.1, relating to confidentiality and conflicts of interest; and (iv) paragraph 20.6, recognizing the provisions of the ToR requiring LSEG's consent. Further, no provisions of ToR may be amended without the approval of the Board.

#### **Terms of Reference of the Audit Committee**

No substantive changes are proposed to be made to the ToR of the Audit Committee. However, Article 2, Structure and Membership, will be revised to reference the criteria for independence set out in LCH SA's Nomination Committee ToR rather than in LCH Group's Nomination Committee ToR and, further, will be amended to

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<sup>25</sup> Article 17 of the ToR, Harmonization with LCH Limited, will be amended to remove references to LCH LLC. LCH LLC is registered with the CFTC as a DCO, although its registration is currently dormant.

provide that one member of the Audit Committee will be a director recommended or approved by LSEG.<sup>26</sup>

Article 3, Authority and Responsibilities, will be amended to remove the requirement that LCH SA's Audit Committee coordinate with the Audit Committee of LCH Group. However, Article will be amended to require the committee to coordinate with the Technology, Security and Resilience Committee.<sup>27</sup> In addition, Article 3 will be amended to recognize that LCH SA has more than one External Auditor, and provide that, in making recommendations to the Board concerning the appointment, evaluation and termination of the engagement of the External Auditors for LCH SA, the Committee will take into account the auditor appointed by LSEG in respect of the wider LSEG Group. Article 3 will also be amended to provide that the Committee will review the annual audit plan prepared by LCH SA's Internal Audit department after approval by the LCH SA's CEO and ahead of any submission of the plan to LCH SA's regulator, if requested by the regulator. Finally, Article 3 will be amended to remove the requirement that the Committee respond to any requests from the LCH Group Audit Committee (which is being disbanded) to vary LCH SA's internal audit program of work.

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<sup>26</sup> Article 2 will also be amended to remove as unnecessary references to the Relationship Agreement and the paragraph providing that LSEG will have the authority to appoint a member of the committee only for so long as LSEG is entitled to exercise or control the exercise of at least 20 percent of the votes able to be cast on all or substantially all matters at general meetings of LCH Group.

<sup>27</sup> The Committee's obligation to coordinate with the LCH SA Risk Committee is unchanged.

Article 5, Reporting, will be amended to confirm that Committee secretary will present all minutes of the proceedings and resolutions of all Committee meetings to the Committee for approval at the next following meeting.

Current Article 8, Annual Evaluation and Terms of Reference Review, which provides that the Committee will arrange for periodic reviews of its own performance and, at least annually, arrange for independent internal review of its constitution and these Terms of Reference, will be removed. This review is conducted, instead, by the Board and executive management.

Article 8, Amendments, will be added, which will specify those provisions of the ToR that may be approved solely by the Board and those provisions that will also require LSEG's consent.

#### **Terms of Reference of the Remuneration Committee**

The ToR of the Remuneration Committee will be amended to reflect some minor changes in the remuneration process. For example, Article 1, Duties and Powers of the Committee will be revised to provide that the remuneration policies will apply to "Specified Executives" rather than "Executive Management". This is a technical change to confirm that the remuneration policies will apply only to those executives identified in the ToR or otherwise specified by the Board and will not apply to other LCH SA executives who otherwise might be deemed to fall within the category of "Executive Management" for other purposes. As defined, "Specified Executives" means, with respect to LCH SA, the Executive Directors, the CEO, the Chief Risk Officer, the Chief Compliance Officer, and any other personnel designated by the Board from time to

time.<sup>28</sup> Further, the process by which the remuneration of the CEO or any Specified Executive may be submitted for approval by the Board and, subsequently, the LSEG remuneration committee will be simplified by removing the requirement that the Committee consult with the Chief Executive Officer of LSEG when making any change in the remuneration (including salary, bonus and long term incentives) of the CEO or any Specified Executive. It was determined that requiring the Committee to consult with the Chief Executive Officer of LSEG at the start of the process with regard to any changes in the remuneration of the LCH SA CEO or any Specified Executive is unnecessary, since the approval of the LSEG Remuneration Committee is required as a final step.<sup>29</sup> Article 1 will also be amended to require the Committee to review annually the ongoing appropriateness of any individual remuneration and to review for approval by the Board the design of all incentive plans and performance related pay schemes, including performance targets to be used, that are designed by and received from the LSEG remuneration committee.

Article 2, Composition of the Committee, will be revised to remove as unnecessary the provision that LSEG is entitled to appoint a representative to the committee only for so long LSEG is entitled to exercise or control the exercise of at least five percent of the votes able to be cast on all or substantially all matters at general

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<sup>28</sup> “Specified Executives” also include any personnel with an annual remuneration package of more than €1,000,000 or equivalent, and the Chairman of the Board.

<sup>29</sup> With regard to the remuneration of directors, Article I will be amended to provide that the committee will consult from time to time with the remuneration committee of LSEG and the remuneration committee of LCH Limited to ensure that there is a coordinated approach to the remuneration of directors on the Board and the board of directors of LCH Limited.

meetings in Group.<sup>30</sup> LSEG will be entitled to appoint a representative to the committee at all times. Article 2 will also authorize the LCH Group CEO to attend committee meetings as an observer.

Article 10, Amendment, will be amended to confirm those paragraphs of the ToR that may only be amended with the approval of the Board and the consent of LSEG.

Article 12, Confidentiality and Conflicts of Interest, will be revised to remove reference to any rights LSEG may have in the Relationship Agreement and refer, instead, to rights LSEG or its representatives have under this ToR.

#### **Terms of Reference of the Technology, Security and Resilience Committee**

Unrelated to the changes in its governance arrangements described above, LCH SA has also established ToR for a Technology, Security and Resilience Committee of the Board.

Article 1, Purpose, will provide that the purpose of the Committee is to “represent the interests of the Board in the sound management of technology, security and operational resilience, including cyber security, to ensure that technology security and operational resilience strategies, investments and outcomes support the mission, values, and strategic goals” of LCH SA, and determine whether management has put in place adequate strategies that provide reasonable assurance that LCH SA “operates within its risk appetite and complies with regulatory requirements.”

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<sup>30</sup> Article 14, Other, will also be amended to remove the general provision that the rights of LSEG set out in the ToR will cease automatically if LSEG ceases to be entitled to exercise or control the exercise of at least five percent of the votes able to be cast on all or substantially all matters at general meetings of LCH Group.

To this end, the Committee will assist the Board in fulfilling its responsibilities relating to, *inter alia*: (i) review of LCH SA's Operations and Technology Strategy; (ii) review of significant investments in support of this strategy including application and infrastructure architecture; (iii) review of the frameworks, policies and strategies that set the internal control environment in relation to technology, security and operational resilience; (iv) review of the Operational Risk Management Framework; (v) review of LCH SA's Strategy for Cyber Security and Information Security and for delivery of supporting programs; (vi) review of the integration of Digital and Physical Security and their alignment with Business Continuity Plans; and (vii) providing regulatory attestations or declarations as may be required from time to time in relation to technology, security and operational resilience.

Article 2, Structure and Membership, will provide that the Committee will be comprised of at least four directors of the Board. At least two members of the Committee will be Independent Directors, one of whom will be appointed by the Chairman of the Committee. Both Independent Directors must satisfy the criteria for independence set out in the ToR of the Nomination Committee. One member of the Committee must also be a member of the Audit Committee.<sup>31</sup> All Committee members will be appointed by the Board in consultation with the Committee Chairman.

Article 2 will further provide that the Committee will meet as frequently as it determines necessary but must meet no less frequently than three times a year. Two

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<sup>31</sup> The Committee as a whole should have a breadth of experience to enable alignment with financial risk management, regulatory requirements and audit. Ideally, members of the Committee will also have significant, recent and relevant experience of the operations of LCH SA and its dependence on technology.

members of the committee will constitute a quorum, provided at least one member is an independent director. Remuneration of the Committee members will be determined by the Board, and no member of the Committee may receive any consulting, performance, advisory or other compensatory fee from LCH SA other than fees paid in member's capacity as a member of the Board or as a member of a Committee of the Board.

Article 3, Reports to the Committee, will provide that the Committee will receive and review periodic management information for relevant operations and technology metrics and will align its meeting schedule with the requirements of the Board.

Article 4, Authority and Responsibilities, will describe the specific functions of the Committee, including: (i) reviewing LCH SA's operations and technology strategy and policies including application and infrastructure architecture; (ii) reviewing and, as appropriate, making recommendations to the Board regarding significant technology investments in support of LCH SA's technology strategy; (iii) reviewing and, as appropriate, making recommendations to the Board regarding the resources and delivery of LCH SA's technology programs; (iv) reviewing any information technology resilience, cyber and information security programs, tracking progress in relation to such programs and providing reports to the Board as appropriate; (v) reviewing any significant operations and technology risk exposures of LCH SA, including any detailed operational risk assessments with significant information technology elements and information security and cyber security risks, together with the steps management has taken to monitor and control such exposures; (vi) reviewing LCH SA's integrated security and resilience, including review of any new or novel approaches to information technology including security and resilience; (viii) reviewing reports from management regarding

LCH SA's Business Continuity Management planning; (ix) receiving reports, as appropriate, from the Audit Committee regarding the results of reviews and assessments of LCH SA's operations and technology functions; and (x) reviewing reports, as appropriate, on operations and agreed metrics in conjunction with the Audit Committee.

Article 5, Provisions for Access, will confirm that the Committee (i) will have full and unrestricted access to management and employees of LCH SA and other members of the LCH Group, (ii) may obtain independent professional advice and the assistance of relevant experts outside of LCH SA, and (iii) will have full and unrestricted access to any systems, records, facilities or other data from LCH SA or other member of LCH Group that it requires to carry out its functions.

Article 6, Reporting, will provide that the Committee Chairman will report the Committee's discussions, decisions and recommendations to the Board, which will decide on an appropriate policy response.<sup>32</sup> Further, the Committee Chairman, or the Chairman's designee, will make available to LCH SA's Chief Compliance Officer such information relating to the Committee's work as is necessary for the Chief Compliance Officer to draft and submit the annual compliance reports required by applicable regulations in force from time to time.

Article 7, Confidentiality and Conflicts of Interest, will set out the requirements with respect to confidentiality and conflicts of interest and provides that all confidential matters considered by the Committee and any confidential information disclosed to members of the Committee in connection with their position as a member of the

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<sup>32</sup> The Committee will have no executive powers with respect to its findings and recommendations.

Committee must remain confidential, notwithstanding the company to which that information relates, nor whether the member is a director of that company or not, except as required to Committee members will be governed by the relevant articles in LCH SA's Articles of Association.

2. Statutory Basis

LCH SA has determined that Proposed Rule Change is consistent with the requirements of Section 17A of the Act<sup>33</sup> and regulations thereunder applicable to it. In particular, Section 17A(b)(3)(C) of the Act provides that the rules of a clearing agency must assure fair representation of its members and participants in the selection of its directors and the administration of its affairs.

As noted above, the Proposed Rule Change will not lead to any change in the proportion of independent directors or the number of directors representing members and participants. Therefore, the Board and the committees of the Board will continue to assure fair representation of its members and participants in the selection of its directors and the administration of its affairs as provided in section 17A(b)(3)(C) of the Act.<sup>34</sup>

Further, Section 17A(b)(3)(F) of the Act<sup>35</sup> provides that the rules of a clearing agency must be designed to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency. In this regard, the Proposed Rule Change will make no substantive changes to the risk management policies of LCH SA or, except

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<sup>33</sup> *Id.*

<sup>34</sup> 15 U.S.C. 78q-1(b)(3)(C).

<sup>35</sup> 15 U.S.C. 78q-1(b)(3)(F).

as explained immediately below, to the obligations of the Board with respect to risk management.

The Proposed Rule Change will amend Article 12 of the Board of Directors ToR to clarify that the Board must approve at least annually the LCH Group Risk Governance Framework and LCH SA's various policies, including LCH SA's: (i) Financial Resource Adequacy Policy; (ii) Default Management Policy; (iii) Collateral Risk Policy; (iv) Investment Risk Policy; (v) Liquidity Risk Policy; (vi) Settlement, Payment & Custody Risk Policy; (vii) Counterparty Credit Risk Policy; (viii) Contract and Market Acceptability Policy; (ix) Model Governance, Validation & Review Policy; (x) Operational Risk Policy; (xi) and Procyclicality Policy and any significant changes to those policies upon recommendations from the Risk Committee.

By making no substantive changes to the risk management policies of LCH SA or to the obligations of the Board with respect to risk management and by clarifying the obligation of LCH SA's Board to approve the above policies annually, which policies collectively assure the safeguarding of securities and funds which are in the custody or control of LCH SA, the Proposed Rule Change is consistent with the requirements of Section 17A(b)(3)(F) of the Act.

Commission Rule 17Ad-22(e)(2) requires each registered clearing agency to "establish, implement, maintain and enforce written policies and procedures reasonably designed to provide for governance arrangements that: (i) are clear and transparent; (ii) support the public interest requirements in Section 17A of the Act applicable to clearing agencies, and the objectives of owners and participants; (iii) specify clear and direct lines

of responsibility; and (vi) consider the interests of participants' customers . . . and other relevant stakeholders of the covered clearing agency.<sup>36</sup>

As discussed above, the Proposed Rule Change is being adopted in significant part to conform LCH SA's Governance Documents to actions taken by LCH Group to simplify its governing arrangements and to eliminate provisions in LCH Group's governance documents that are unnecessary and outdated. Importantly, LCH Group and LSEG have decided to terminate the Relationship Agreement between them and remove duplication in board decision-making between LCH Group and the CCP Boards by making the LCH Group Board an internal only board and disbanding all LCH Group committees.

By simplifying its governance arrangements and eliminating provisions in LCH Group's governance documents that are unnecessary and outdated; by vesting in LCH SA's CEO responsibility for appointing LCH SA's management team; and by confirming that the Proposed Rule Change will not lead to any change in the proportion of independent directors or the number of directors representing members and participants, the Proposed Rule Change enhances LCH SA's governance arrangements and assures that they (i) remain clear and transparent (ii) continue to fulfill the public interest requirements in Section 17A of the Act applicable to clearing agencies by assuring fair representation of its members and participants in the selection of its directors and the administration of its affairs, (iii) support the objectives of members and participants, (iv) specify clear and direct lines of responsibility; and (v) consider the interests of

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<sup>36</sup> 17 C.F.R. 240.17Ad-22(e)(2).

participants' customers . . . and other relevant stakeholders of the covered clearing agency, within the meaning of SEC Rule 17Ad-22(e)(2).<sup>37</sup>

B. Clearing Agency's Statement on Burden on Competition

LCH SA does not believe the Proposed Rule Change would have any impact, or impose any burden, on competition. The Proposed Rule Change does not address any competitive issue or have any impact on the competition among central counterparties. LCH SA operates an open access model, and the Proposed Rule Change will have no effect on this model.

C. Clearing Agency's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

Written comments relating to the Proposed Rule Change have not been solicited or received. LCH SA will notify the Commission of any written comments received by LCH SA.

III. Date of Effectiveness of the Proposed Rule Change

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will: (A) by order approve or disapprove such proposed rule change, or (B) institute proceedings to determine whether the proposed rule change should be disapproved.

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<sup>37</sup> 17 C.F.R. 240.17Ad-22(e)(2).

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change, security-based swap submission, or advance notice is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov).

Please include File Number XX on the subject line.

Paper Comments:

- Send paper comments in triplicate to Vanessa Countryman, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

All submissions should refer to File Number SR-LCH SA-2020-003. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change, security-based swap submission, or advance notice that are filed with the Commission, and all written communications relating to the proposed rule change, security-based swap submission, or advance notice between the Commission and any person, other than those

that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 am and 3:00 pm. Copies of the filing also will be available for inspection and copying at the principal office of LCH SA. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-LCH SA-2020-XXX and should be submitted on or before [insert date 21 days from publication in the Federal Register]. For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>38</sup>

Secretary

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<sup>38</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5A**

**LCH SA**  
**Terms of Reference of the Board**  
**(Adopted by the Board on ~~2-October-2019~~ [●] 2020)**

**Article 1. Purpose**

These Terms of Reference provide for the terms relating to the organisation and functioning of the Board of the Company and of its Committees, which in addition to the law and to the articles of association, specify certain rules relating to the allocation of tasks and responsibilities between the General Management, the Chairman and the Board, and specify the rules applicable to the Directors.

The Directors are bound by the provisions of these Terms of Reference.

**Article 2. Definitions**

The following words and expressions when used in these Terms of Reference have the meaning given to them below:

**Audit Committee** means the audit committee of the Company.

**Board** means the board of directors (*conseil d'administration*) of the Company.

**Cash Clearing Agreement** means the agreement for cash equities clearing between the Company and EURONEXT dated 28 January 2013 as amended.

**Cash Clearing Infrastructure** means UCS Cash, or the successor clearing infrastructure used for cleared financial instruments agreed upon between the Company and EURONEXT as the clearing infrastructure to be used by the Company to render the clearing services.

**Cash Common Services** means the clearing services provided by the Company to the trading facilities for the cash clearing of financial instruments listed on the Euronext markets and other trading facilities operated by EURONEXT using the Cash Clearing Infrastructure developed and operated by the Company for the clearing of such financial instruments.

**CEO** means the chief executive officer (*directeur général*) of the Company.

**Chairman** means the chairman (*président du conseil d'administration*) of the Board.

**Clearing Member** has the meaning ascribed to it in the Company's clearing rules.

**Committee** means a committee established by the Board, which are listed in Article 15.

**Company** means LCH SA.

**Conflicted Shareholder** has the meaning ascribed to it in Article 14.18 of these Terms of Reference.

**Conflict of Interest** means a situation in which a Director has, or can have, an interest which conflicts, or possibly may conflict, with the interests of the Company.

**Conflict Situation** has the meaning ascribed to it in Article 14.18 of these Terms of Reference.

~~**Core Operating Principles** means the principles to be applied by LCH Group Holdings Limited in managing its business, as set out in and adopted pursuant to the Relationship Agreement.~~

~~**Customer** has the meaning set out in the US CFTC Rules as in force from time to time.~~

~~**Customer Director** means a Director who is nominated by a shareholder of LCH Group Holdings Limited which is a Customer or who is otherwise connected to such Customer shareholder by virtue of his employment or directorship.~~

**Deputy-CEO** means a deputy managing director (*directeur général délégué*) of the Company, if any.

**Director** means a director (*administrateur*) of the Company.

**Eligible Institution** has the meaning ascribed to it in the articles of association of LCH Group Holdings Limited from time to time.

**EMIR Regulation** means the Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories as well as the Commission Implementing Regulation (EU) No. 1249/2012 of 19 December 2012 implementing regulatory technical standards and Commission Delegated Regulation (EU) No. 153/2013 of 19 December 2012 supplementing Regulation (EU) No. 648/2012 of the European Parliament and of the Council, or any applicable successor law or regulation.

**Euronext** means Euronext Brussels S.A./N.V., Euronext Amsterdam N.V., Euronext Paris S.A., Euronext Lisbon – Sociedade Gestora De Mercados Regulamentados S.A. ~~and~~, Euronext Oslo Børs ASA, Euronext UK Markets Ltd and any other member of the Euronext group from time to time.

**Exchanges** has the meaning ascribed to it in the articles of association of LCH Group Holdings Limited from time to time.

**General Management** means the general management (*direction générale*) of the Company.

~~**Group Nomination Committee** means the nomination committee of the LCH Group Holdings Ltd.~~

**Head of Compliance** means the person who satisfies the role of chief compliance officer of

the Company, as defined under the EMIR Regulation.

**Independent Director** means an independent director, who satisfies applicable Regulatory Requirements regarding independent directors and who is appointed in accordance with the ~~Group~~-Nomination Committee terms of reference.

**LCH Group** means LCH Group Holdings Limited and its subsidiaries from time to time.

**Local Management Committee** means the Local Management Committee of LCH SA, which advises and supports the Chief Executive Officer on all key management matters of the company, in order for him to fulfill his responsibilities. The composition and powers of the Local Management Committee are set out in its ~~T~~erms of ~~R~~eference.

**LSEG** means London Stock Exchange Group plc.

~~**LSEG Audit Representative** means the LSEG chief financial officer, the LSEG head of audit or the LSEG chief risk officer or any other person of appropriate seniority and expertise as may be agreed from time to time between LSEG and the chairman of LCH Group Holdings Limited to sit on the Company's Audit Committee.~~

~~**LSEG Consent Matters** has the meaning given thereto in the Relationship Agreement.~~

**LSEG Director** means a director appointed to the board of LCH Group Holdings Limited by LSEG (other than the CEO of LCH Group Holdings Limited).

**LSEG Group** means London Stock Exchange Group plc and its subsidiaries from time to time other than those entities comprising the LCH Group.

~~**LSEG NomCom Representative** means any person of appropriate seniority and expertise as may be agreed from time to time between LSEG and the chairman of LCH Group Holdings Limited to sit on the nomination committee.~~

**Managers in Charge** means the CEO and the other person(s) designated as "dirigeant effectif" of the Company in accordance with applicable Regulatory Requirements, who are empowered with the effective determination of the operation of the Company's business, as described in Article 13.2 of these Terms of Reference.

~~**Material Interest** means the entitlement to exercise or control the exercise of at least 20 per cent. of the votes able to be cast on all or substantially all matters at general meetings of LCH Group Holdings Limited~~  
**Nomination Committee** means the nomination committee of the Company.

~~**Minority Protection Reserved Matters** has the meaning given thereto in the Relationship Agreement.~~

~~**Push Matters** has the meaning ascribed to it in the Relationship Agreement.~~

**Regulatory Requirements** means, with respect to the Company, any regulation or requirement of applicable law or of any applicable regulatory body or any request of any

applicable regulatory body, with which failure to comply would result or would reasonably be expected by the Company to result in the withdrawal of authorisation necessary to conduct clearing business in any relevant jurisdiction or other disciplinary or enforcement action that would have a material adverse effect on the ability of any member of the LCH Group to conduct clearing business in any relevant jurisdiction.

~~**Relationship Agreement** means the relationship agreement entered into by LCH Group Holdings Limited, LSEG and London Stock Exchange (C) Limited.~~

**Remuneration Committee** means the remuneration committee of the Company.

**Risk Committee** means the risk committee of the Company.

**Secretary** means the secretary (*secrétaire*) of the Board.

**Senior Management** has the meaning given thereto in the EMIR Regulation.

**Settlement Systems** means one of the settlement systems used by the Company for the Cash Common Services which are Euroclear Bank, Euroclear Belgium, Euroclear France, Euroclear Netherlands, or Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. (Interbolsa), Banque Nationale de Belgique (BNB), or any successor settlement system agreed upon between the Company and EURONEXT.

~~**Significant Interest** means the entitlement to exercise or control the exercise of at least 40 per cent. of the votes able to be cast on all or substantially all matters at general meetings of LCH Group Holdings Limited.~~

**Terms of Reference** means these terms of reference (*règlement intérieur*) of the Board.

**User** means Eligible Institutions other than ~~Venues~~[Exchanges](#).

**User Director** means a director who is nominated by a shareholder of LCH Group Holdings Limited which is a User or who is otherwise connected to such User shareholder by virtue of his employment or directorship ~~(and, for the avoidance of doubt, excludes a Customer Director).~~

~~**Venue** means Eligible Institutions (save for LSEG) which are Exchanges.~~

~~**Venue Director** means a director who is nominated by a shareholder of LCH Group Holdings Limited which is a Venue or who is otherwise connected to such Venue shareholder by virtue of his employment or directorship.~~

### **Article 3. Composition of the Board**

The Board is composed of a minimum of three and a maximum of eighteen Directors. Each Director is proposed by the Board at a shareholders' meeting and appointed for a period of three years. The Board's proposals regarding appointment of Directors shall be based on recommendations made by the ~~Group~~ Nomination Committee in accordance with its terms of

reference.

Subject to the decision of the shareholders' meeting, the Board shall be composed of the following categories of Directors:

- [an independent](#) non-executive Chairman
- ~~i~~[Independent non-executive d](#)irectors ~~(including the chairman of LCH Group Holdings Limited)~~(provided that ~~at least two of the Independent Directors (which may include the Chairman) shall not also be independent directors on the board of directors of LCH Limited)~~);
- executive ~~d~~irectors (including the CEO of the Company, the CEO of LCH Group Holdings Limited and [an additional LCH executive, who may be but shall not be limited to](#) the chief risk officer of LCH Group Holdings Limited);
- [a Director proposed by EURONEXT in accordance with and subject to the terms of these Terms of Reference;](#)
- ~~Venue Directors or, if an insufficient number of Venue Directors is available, independent non-executive directors nominated by LSEG;~~
- User Directors; and
- ~~one~~[a](#) Director representing LSEG ~~(for so long as LSEG is entitled to exercise or control the exercise of at least 5 per cent. of the votes able to be cast on all or substantially all matters at general meetings in LCH Group Holdings Limited),~~

such categories and such numbers of Directors within each category being subject to change to comply with any applicable legal or regulatory requirements from time to time (including the appointment of additional Independent Directors ~~or Customer Directors~~ as may be required from time to time to comply with applicable Regulatory Requirements).

Pursuant to [either \(i\) the Cash Clearing Agreement and for so long as the Cash Clearing Agreement is in force or \(ii\) the Derivatives Clearing Agreement and for so long as the Derivatives Clearing Agreement remains in force](#), EURONEXT is entitled to propose the appointment of a [maximum of one](#) Director to the Board through the ~~Group~~-Nomination Committee, such appointment being approved by the shareholders' meeting upon recommendation made by the Board (with the assistance of the ~~Group~~-Nomination Committee).

In its proposals, the Board aims for its own composition and that of the Committees it creates to be balanced and in line with the needs of the Company in terms of the skills and experience of the Directors chosen. The preceding sentence notwithstanding, the composition of the Board and its Committees shall at all times reflect Regulatory Requirements. The Board shall take appropriate measures to ensure that the Directors meet all appropriate fitness standards under applicable law and that their duties are carried out with the necessary level of independence, integrity and objectivity.

Directors may be dismissed at any time by the shareholders' meeting without cause. If the conduct of a Director appears to the ~~Group~~-Nomination Committee likely to be prejudicial to the sound and prudent management of the Company, the ~~Group~~-Nomination Committee shall (and with regard to Directors appointed by LSEG, with LSEG's consent (not to be unreasonably withheld or delayed)) recommend to the Board convening a shareholders' meeting and the Board may propose such Director's removal at the shareholders' meeting. The shareholders may decide, in their sole discretion, taking into account the recommendation of the Board, to dismiss the relevant Director.

Directors may also resign by notice to the Company.

Otherwise, a Director's duties come to an end at the close of the shareholders' meeting approving the annual accounts for the past financial year and held the year the Director's term ends.

Directors shall be eligible for re-appointment up to a maximum of three three-year terms, unless otherwise determined by the ~~Group~~-Nomination Committee.

Only in case of a vacancy due to the death or resignation of one or more Directors, the Board may, in the period between shareholders' meetings, decide on temporary appointments, subject to the ratification by the next shareholders' meeting and compliance with Regulatory Requirements. A Director appointed by the Board to replace another shall remain in office for the remaining period of his/her predecessor's term. He/she is eligible for re-appointment.

#### **Article 4. Rules applicable to Directors**

##### 4.1 General obligations

The Directors represent the shareholders as a whole and must act under all circumstances in the corporate interest of the Company.

A Director must, at the time of his/her appointment, review the laws and regulations regarding his/her function as well as the specific provisions laid out in the articles of association and the internal rules and procedure of the Board and its Committees. A Director should, if he/she deems it necessary, be able to receive training regarding the specific features of the Company and its activities.

A Director's acceptance of his/her appointment requires his/her commitment, in particular:

- To dedicate the required time and attention to his/her duties and to matters considered by the Board, and where applicable, by the Committee of which he/she is a member;
- To ask for any additional information he/she might find useful;
- To form an opinion prior to making any decision; taking into consideration only the Company's best interests; and

- To actively participate in Board meetings.

He/she undertakes to attend Board meetings according to the pre-established annual calendar and, where possible, to make him/herself available for any exceptional meetings.

Each Director must fulfil his/her duties with respect to the requirement to commit sufficient time to perform their functions in the Company and the rules governing the number of corporate directorships that can be held. In a case where a Director intends to accept an office in addition to the ones he/she already holds, he/she must notify the Secretary.

Directors shall be prohibited from accepting an office (*mandat social*) in a competing company, save for an office in the LSEG Group.

#### 4.2 Right of information of Directors

Save as otherwise prescribed in these Terms of Reference, the Chairman or the CEO shall communicate to the Directors all necessary information for the fulfilment of their duties and the Directors may obtain all documents they consider useful prior to any meeting.

If a majority of the Independent Directors determine in good faith that, in order to prevent a breach of applicable competition law or regulation, a Director connected to a particular shareholder of LCH Group Holdings Limited [or of the Company](#) should not have access to competitively sensitive information concerning a particular Eligible Institution, the relevant Director shall be notified of this situation and shall immediately make appropriate arrangements in order not to receive such competitively sensitive information. The relevant Director shall also absent him/herself from any part of a Board meeting at which such competitively sensitive information is discussed, and/or shall abstain him/herself to participate in discussions or vote on any resolution at such Board meeting (or a meeting of any Committee) relating to such competitively sensitive information, unless a majority of the Independent Directors agree otherwise.

The Independent Directors may only make a determination described in the paragraph above on a case by case basis and:

- on their own initiative, provided that they have consulted the Company's legal advisers in advance of such determination and taken their views into account; or
- if, following receipt by the Company of a written request from any Eligible Institution that a particular Director should not have access to certain competitively sensitive information concerning such Eligible Institution, a majority of the Independent Directors determine, having obtained such legal advice as they consider appropriate, that such request is proportionate and not vexatious.

Any restriction imposed pursuant to the previous paragraphs shall be without prejudice to any rights of consent ~~under the~~[which](#) LSEG ~~Consent Matters and Minority Protection Reserved Matters, or any~~[may have under these Terms](#) of ~~LSEG's rights in connection with the Push Matters~~[Reference](#).

The Chairman, assisted by the Secretary, is responsible for the communication to Directors of

all relevant information according to the circumstances and the points on the scheduled agenda. Where practicable, the Board's files shall be made available to the Directors at least a week before the proposed Board meeting.

Directors shall be informed regularly, by any means, of the Company's financial situation, its accounts and its undertakings as well as of any significant risk, event or operation regarding the Company as well as risk management policies and any amendments thereto.

To complete the information they have and for the fulfilment of their duties, Directors may meet with the Company's managers as reasonably requested, provided that the Chairman and the CEO have given their prior approval to such a meeting.

#### 4.3 Discretionary and confidentiality duties

~~Without prejudice to any rights LSEG may have in the Relationship Agreement, r~~Reports and documents provided to the Board shall be deemed confidential, unless otherwise indicated. The discussions as well as the minutes transcribing their content shall also be confidential. This duty of confidentiality applies to all persons attending the Board meetings.

Directors shall be bound by an absolute duty of confidentiality, even after the end of their term, with respect to the content of the discussions and deliberations of the Board with the exception of cases where the disclosure of such information is required by the laws or regulations in force or where it is in the public interest.

#### 4.4 Duty of expression

Directors commit to clearly express any objection they might have to a draft decision they deem might harm the Company.

### **Article 5. Board meetings**

The dates of Board meetings for the following calendar year shall be agreed on a provisional basis, taking into account the scheduled dates of the meetings of the other boards of the LCH Group, as well as those of the board-level committees in the LCH Group. The proposed schedule is subject to the approval of the Chairman and the CEO as well as executives of the LCH Group. It is then placed on the Board's agenda to inform all Directors. Board meetings will be convened by e-mail.

The Board shall meet as often as required in the interests of the Company, at the request of any Director of the Company. The Board shall meet, on average, six times per year and at least once per annum. The Board shall devote an item on its agenda to a discussion of its working procedures.

When the Board does not meet for more than two months, a Director may request that the Chairman call a meeting with a determined agenda. The CEO may also request at any time that the Chairman call the Board with a determined agenda.

Board meetings shall be held at the registered office or at any other location specified in the notice (including abroad). Meetings shall be chaired by the Chairman or, failing that, by a Director temporarily carrying out the duties of chairman designated for that purpose by the Board.

Within the limits and conditions of the legal and regulatory provisions, the Board meetings may take place by means of video-conferencing or telecommunication. Any Directors participating in this manner shall be deemed to be present for the purpose of establishing quorum and majority, except (i) if provided otherwise by the articles of association, or (ii) when decisions relating to the closing of the annual accounts and consolidated financial statements and the drafting of the corporate management report are being made.

#### **Article 6. Quorum**

—The board of Directors may validly deliberate only if at least half of the Directors are present.

If there is a breakdown in the telecommunication or video-conference link noted by the Chairman, the Board may validly deliberate and/or continue with the Directors who are physically present as long as the conditions of quorum have been fulfilled. The occurrence of any technical incident disrupting the operation will be mentioned in the minutes, including the interruption and re-establishment of remote participation.

Should no quorum exist at the commencement of a meeting, the Board shall be reconvened within five days with the same agenda.

#### **Article 7. Voting majority**

##### 7.1 Simple majority

Subject to Article 7.2, decisions shall be made by a majority vote of the Directors present or represented at the Board meeting. The Chairman casts the deciding vote in the event of an equality of votes.

When only two Directors are present, decisions must be made by unanimous vote.

##### 7.2 Enhanced majority

Decisions of the Board in respect of the following topics require a majority vote of 75% of the non-conflicted Directors voting at the meeting, unless otherwise agreed by EURONEXT and the Company:

- reduction in the choice, access to, and operating principles of Settlement Systems relevant to the Cash Common Services;
- changes of information technology systems or developments of new information technology architectures, advancements, in technologies (hardware, software and parameterisation of these hardwares and softwares) relating to the Cash Clearing Infrastructure; and

- allocation of costs relating to information technology systems developments (which include the costs incurred for hardware purchasing, software development, parameterisation, consultancy services, project management, related maintenance and support services and the Clearing Members technical support services) relating to the Cash Clearing Infrastructure.

#### **Article 8. Alternate Director**

Any Director may give a proxy in writing (by email, fax or letter) to another Director to represent him/herself at a specified Board meeting.

Each Director may only hold one proxy per meeting and cannot represent more than one Director. An Independent Director may only appoint a proxy who qualifies as an Independent Director and any purported appointment of an alternative who does not so qualify will be void *ab initio*.

#### **Article 9. Record of Board attendance**

Where Directors are unable to attend any Board meeting, they must notify the Secretary of their intended absence in a timely manner following receipt of their convening notice. The Secretary shall have the Directors sign the attendance register and take note of the Directors attending by means of videoconferencing or telecommunication, as the case may be. In the event that a Director has been repeatedly absent for more than three consecutive Board meetings, the Director concerned may be called to order by the Chairman.

The attendance register is kept in a safe in the office of the Secretary.

#### **Article 10. Minutes**

The minutes of any Board meetings shall be prepared by the Secretary. The minutes shall be subject to approval of the Chairman and CEO. They shall be distributed to the Directors and approved at the following meeting. Given the French and English composition of the Board, minutes shall be translated into French before being presented to the Board.

The minutes shall be signed by the chairman of the meeting and at least one Director. In case of impediment of the chairman of the meeting, the minutes shall be signed by at least two Directors.

Copies or extracts from the minutes of the meetings shall be validly certified either by the Chairman, the CEO, a Deputy-CEO (if any), any other Director temporarily delegated to fulfil the functions of the chairman, or by a proxy empowered for this purpose.

During the liquidation of the Company, these copies or extracts would be certified by a sole liquidator.

#### **Article 11. Board Secretary**

The Secretary may be any person that the Board elects to appoint.

The Secretary is responsible for convening the Board meetings and the shareholders' meetings on behalf of the Chairman. In conjunction with the Chairman and CEO, the Secretary draws up the agenda of the Board. The agenda and notice of any Board meeting shall be then sent to the Directors or any other Board meeting attendees such as representatives of the works council.

The Secretary establishes the list of the documents that will be provided to the Directors in accordance with the proposed agenda and ensures their collection. The content of all the supplied documents shall be subject to the approval of the Chairman and the CEO before being sent or transmitted to Directors where practicable, approximately a week before the proposed Board meeting.

In compliance with laws and regulations, the Secretary shall ensure that copies of minutes are provided upon request to anyone entitled to receive such copies.

The Secretary is available to satisfy any request for information from a Director regarding his/her rights and obligations, the operation of the Board or the life of the Company.

The Secretary submits evidence of any official changes (Directors, financial statements, articles of association, etc.) to the commercial registry and to any relevant legal gazette, if required.

#### **Article 12. Powers of the Board**

The Board determines the business strategies of the Company and oversees their implementation. Subject to the powers that the laws and regulations expressly reserve to general meetings of shareholders and to the Managers in Charge, namely the CEO and the other person(s) designated as "dirigeant effectif" of the Company, and within the limits of the Company's corporate purpose, the Board is responsible for the overall management of the Company, deals with all questions concerning the smooth course of the Company's business and passes resolutions to settle all matters that concern it.

This Article does not prevent the Board from having full access to relevant information which is outside the scope of the matters listed in this Article. ~~In following this Article, the Board shall have regard to the relevant provisions of the Relationship Agreement.~~

~~The business of the Company will be managed in a manner that is consistent with LCH Group Holdings Limited being run at all times in accordance with the Core Operating Principles.~~

Within this framework, and without this list being exhaustive:

- (a) with respect to business management and strategy, the Board shall:
  - establish clear objectives and strategies for the Company;
  - approve the Company's annual operating and capital expenditure budget [subject to the consent of LSEG](#);
  - approve any material changes to the Company's budget [\(including any](#)

- [third party debt financing\) subject to the consent of LSEG;](#)
- review the Company's performance in light of the strategy, objectives, business plans and budgets approved by the Board and any subsequent revision, and ensure that appropriate corrective action is taken;
  - approve any change in the fee grid which has a material impact on the relevant Business line's approved budget;
  - approve the terms and conditions of any merger agreement between the Company and a third party [subject to the consent of LSEG;](#)
  - convene and set the agenda of the shareholders' meeting;
  - approve the planned extension of the Company's activities through the launch of new products or the launch of existing products in new geographic areas where new or novel risk is being introduced;
- (b) with respect to the structure and capital of the Company, the Board shall issue a report to the shareholders to recommend:
- any changes relating to the Company's share or regulatory capital structure including any reduction of capital, issue of shares or other securities and share buy-back, to be decided upon by a general meeting of shareholders ~~for so long as LSEG and any member of its Group hold in aggregate a Significant Interest in LCH Group Holdings Limited (such consent not to be unreasonably delayed)~~, (save where such ~~breach~~[change](#) results from the ~~issue or~~ loan by a member of the LCH Group of a de minimis number of shares to one or more of its directors ~~to comply with legal requirements~~). In addition to shareholder approval, each issue of shares in the Company shall be subject to the consent of LSEG [\(such consent not to be unreasonably delayed\)](#);
  - any changes to the Company's legal status to be decided upon by general meeting of shareholders;
  - any changes to the Company's management and control structure to be decided upon by general meeting of shareholders;
- (c) with respect to remuneration of the Company's employees, the Board shall:
- establish and regularly review appropriate remuneration policies, with the assistance of the Remuneration Committee, and control its implementation;
  - on the basis of the recommendation of the Remuneration Committee, to the extent required by EMIR [Regulation](#) or by the Company's regulators, approve the remuneration policy for the Chairman of the Board, the Executive Directors of the Company, the Company's Head of Compliance

- and any other senior executive personnel of the Company as decided by the Board;
- determine the remuneration of the non-executive Directors of the Company;
  - in consultation with the Boards of other LCH Group subsidiary companies (as applicable), determine any material changes to the Company's pension arrangements;
- (d) with respect to financial reporting and controls, the Board shall:
- prepare the Company's annual accounts to be approved by general meeting of shareholders and issue a related management report to the shareholders;
  - ~~issue a report to the shareholders to recommend the payment of any interim and final dividend to be decided upon by general meeting of shareholders;~~ having due regard to the Company's interests, issue a report to the shareholders recommending the payment of a final dividend, to be decided upon by general meeting of shareholders, having taken into account the following matters:
    - applicable regulatory and regulatory capital requirements, including reasonable capital "buffers";
    - restrictions in any finance documents;
    - investment to support capital expenditure contemplated by the business plan and budget from time to time, including technology, taking into account future expected cash flows; and
    - applicable laws;
  - approve any significant changes in accounting policies or practices;
- (e) with respect to risk management, the Board shall:
- establish and monitor the risk management function of the Company;
  - determine the general framework of membership rules (e.g. criteria for admission) following recommendation from the Risk Committee;
  - determine the general framework of risk control rules following recommendation from the Risk Committee;
  - determine the framework of Default Fund rules following recommendation from the Risk Committee;

- approve the internal policy framework for defining the type of extreme but plausible market conditions that could expose the Company to greatest risk following recommendation of the Risk Committee and review any material change reported by the Risk Committee and any review undertaken by the Risk Committee and reported to the Board;
- approve the new stress-testing model following recommendation from the Risk Committee;
- at least annually, [approve](#) the adoption of the LCH Group Risk Governance Framework;
- at least annually, [approve](#) the Company's Financial Resource Adequacy Policy, Default Management Policy, Collateral Risk Policy, Investment Risk Policy, Liquidity Risk Policy, Settlement, Payment & Custody Risk Policy, Counterparty Credit Risk Policy, Contract and Market Acceptability Policy, Model Governance, Validation & Review Policy, Operational Risk Policy and Procyclicality Policy and any significant changes to those policies following recommendations from the Risk Committee;
- approve the liquidity plan after consulting the Risk Committee;
- approve the level of liquidity risk tolerance determined by the Managers in Charge, and come to a decision at least once per year on such level of risk tolerance and on the strategies, policies, procedures, systems, tools and limits allowing the Company to detect, measure, manage and follow the liquidity risk, and approve any material change thereto;
- approve the limits (including, without limitation, the risk global limits) proposed by the Managers in Charge after having consulted, as the case may be, the Risk Committee;
- determine the conditions of communication and periodicity under which information on whether risk limits are satisfied, including whether global limits are likely to be reached, is communicated to the Board and the Risk Committee;
- approve the IT strategy of the company, the strategic guidelines and any significant changes annually;
- approve the business continuity policy and the disaster recovery plan of the Company, and review independent reviews of such business continuity policy and disaster recovery plan reported to the Board;
- oversee the crisis management function of the Company;
- ratify the suitability of any guarantor which is the issuer of a commercial bank guarantee to be accepted as collateral, after a full assessment of the issuer and of the legal, contractual and operational framework of the

guarantee and ensure that the Company has a high level of comfort on the effectiveness of the guarantee;

- approve the policy for the use of derivative contracts by the Company for the purpose of investing its financial resources, after having consulted the Risk Committee;
- approve each year, or following any material change, the model that the financial and non-financial counterparties shall have for using marking-to-model as referred to in the EMIR Regulation, unless this approval has been delegated by the Board to a Committee (e.g. the Risk Committee);
- review the results of the independent audit assessments of the information technology systems and the information security framework reported to the Board;
- approve the contemplated dismissal of the chief risk officer (*responsable de la fonction de gestion des risques*);
- **R**review at least annually risk tolerance limits and the associated warning thresholds (including policies and procedures containing these metrics),

provided that, in each case, any matter which constitutes a material increase in the risk profile of the investment policy or capital management policy of the Company or which would result in a material decrease in the liquidity resources available to the Company will be subject to LSEG consent, provided that nothing will prevent the Company from taking such steps as are: (i) necessary or desirable to comply with any legal or regulatory requirements; or (ii) considered by the Company's Chief Risk Officer; or, in his or her absence, the CEO; or, in his or her absence, the Chairman of the Risk Committee, to be required to be taken in response to a default by a clearing member or members or adverse macro-economic event;

- (f) with respect to Board membership and other appointments, the Board shall:
- subject to LSEG consent, recommend changes to the structure, size and composition of the Board upon recommendations from the **Group** Nomination Committee, to be approved by general meeting of shareholders;
  - ensure adequate succession planning for the Board;
  - decide appointments to the Board Committees further to recommendations from the **Group**-Nomination Committee;
  - appoint the Chairman of the Board and the CEO (in accordance with the terms of reference of the Nomination Committee) and determine their remuneration;

- in consultation with the Company's Head of Compliance (or his or her designee) manage and authorise Director conflicts of interest in accordance with these Terms of Reference;
  - recommend the appointment or reappointment of the external auditor upon recommendations from the Audit Committee, to be approved by general meeting of shareholders;
  - be responsible for the oversight of the Company's Head of Compliance, internal audit function and chief risk officer (all of which report directly to the Board); and
  - effectively monitor the Senior Management of the Company;
- (g) with respect to delegation of authority, the Board shall approve the terms of reference of Board Committees and any changes thereto [subject to the consent of LSEG \(to the extent provided for in those terms of reference or in these Terms of Reference below\)](#);
- (h) with respect to compliance and internal control, the Board shall:
- determine the compliance policies and procedures of the Company, jointly with the Managers in Charge;
  - monitor the compliance function and internal control function of the Company;
  - review on a regular basis, with the assistance of the Risk Committee, the policies implemented in order to comply with internal control requirements, and assess the efficiency of such policies, arrangements and procedures implemented for the same purpose and of the measures taken to remedy any failures;
  - review on a regular basis, with the assistance of the Risk Committee, the effectiveness of the implementation of the Company's risk and control processes by the Managers in Charge and take all appropriate measures to remedy any failures;
  - undertake twice a year a review of the Company's risk and control processes, results and activities of the internal control system, including the control of compliance, and the significant incidents revealed by the internal control procedures;
  - determine the nature, volume, form and frequency of information communicated to the Board;
  - set the criteria and thresholds of significance allowing the identification of incidents by risk analysis and risk measurement systems, which must be

- brought to its attention;
- approve the audit planning of the Company and its review;
  - oversee the outsourcing arrangements of the Company;
  - oversee the compliance of the Company with all provisions of the EMIR Regulation and all other regulatory and supervisory requirements;
  - meet with the Company's Head of Compliance at least once per year, together with the Managers in Charge, to which the Company's Head of Compliance reports;
  - provide accountability to the shareholders or owners and employees, clearing members and their customers of the Company and other relevant stakeholders;
  - ~~R~~review at least annually the specific / formal sign-off of exceptions to Group policies;
- (i) with respect to corporate governance and compliance, the Board shall:
- undertake an annual review of its own performance and that of its Committees;
  - oversee compliance with applicable legal, regulatory and contractual requirements from time to time; and
  - take into account any implications of the group for the Company's own governance arrangements (including having an appropriate conflicts policy in place) including whether the Company has the necessary level of independence to meet its regulatory obligations as a distinct legal person and whether its independence could be compromised by the group structure.

If there is any doubt as to whether a particular matter falls within the scope of this Article, the matter shall be brought to the attention of the Secretary of the Board who shall refer it to the Chairman of the Board who shall then decide whether the matter referred to him is reserved for the Board and his decision shall be final.

### **Article 13. Company management (Chairman – CEO)**

The Board appoints from the Directors a Chairman, who shall be an individual. The Chairman may be dismissed at any time by the Board.

~~In following this Article, the Board shall have regard to the relevant provisions of the Relationship Agreement.~~

#### 13.1 General Management

The Board shall entrust the General Management to the CEO.

The Chairman does not assume the General Management, he/she has no executive responsibilities and will be in charge of the following functions:

- To ensure the proper operation of the Company's bodies and in particular ensure that the Directors are able to carry out their duties within the Board;
- To report to the shareholders' meeting on the manner in which the work of the Board and the internal control procedures implemented by the Company are prepared and organized;
- To ensure the application of good governance standards;
- To maintain, in consultation with the CEO, the Company's high-level relationships with customers, regulators and public authorities both in France and abroad.

As the functions of Chairman and CEO are separated, the Board, with assistance from its Committees, appoints the CEO, sets the term of office, determines the remuneration and, if necessary, the limitations on its powers.

The CEO may be dismissed at any time by the Board.

With respect to day-to-day management, the CEO is vested with the broadest powers to act in any and all circumstances in the name of the Company. He/she exercises these powers within the limits of the Company's corporate purpose and subject to those powers that the law expressly reserves to general meetings of shareholders and to the Board.

The CEO represents the Company in its relationship with third parties. The CEO is also responsible for providing the Board and its Committees with the information they need and to implement the decisions taken by the Board.

The CEO ensures, through the Local Management Committee, that no person, save for the CEO, is entitled on his/her own, on behalf of the Company, to make an expense exceeding EUR 100,000 and to commit to its payment. The approval of the list of authorized signatories and any changes thereto is of the competence of the Local Management Committee.

As an internal restriction only and without effect towards third parties, [\(subject to any LSEG consent rights under article 12 of these Terms of Reference\)](#) the CEO must obtain the prior approval by a resolution of the Board in order to carry out:

- any planned extension of the Company's activities through the launch of new products or through the launch of existing products in new geographic areas where new or novel risk is being introduced;
- any opening of a new branch or representative office of the Company, whether conducting clearing activities through such branch or office or otherwise;

- ~~• any type of joint venture arrangement between the Company and any third party;~~
- ~~• any acquisition of a business with a valuation representing 5% or more of the Company's net revenue stated in the last audited accounts published by the LCH Group;~~
- ~~• any disposal of all or any material part of the Company's business;~~
- ~~• any decision to cease to operate all or any material part of the Company's business;~~
- any major change to the Company's corporate structure such as the creation of new holding or subsidiary companies;
- any contract which the Company or any subsidiary of the Company proposes to enter into in the ordinary course of business of the Company, which is material to the Company's business strategically or by reason of its duration (over three years) or its size, namely with an estimated or actual present value of EUR 5,000,000 or more;
- any contract which the Company or any subsidiary of the Company proposes to enter into outside the ordinary course of business of the Company including any loan or similar arrangement with a value of EUR 1,000,000 or more;
- ~~• any acquisition or disposal of shares or any interest in shares of the Company, any significant investment in any third party or the making of any takeover offer;~~
- any prosecution, defence or settlement of litigation worth at least EUR 2,000,000 or otherwise material to the Company's interests (provided that the settlement of any litigation which could result in a payment to or by the Company in excess of EUR 2,000,000 will be subject to LSEG consent);
- any item of expenditure or the incurrance of any liability if such expenditure or liability is in excess of EUR 10,000,000 or results in the total limit on spending or costs set out in the annual budget exceeding the budgeted level by more than 10%;
- ~~• any material acquisitions and disposals, including in relation to intellectual property and the Company's various business segments and group undertakings. For the purposes of this paragraph, an acquisition or disposal shall be **material** if the value of the consideration or the assets which are the subject of the transaction exceed an aggregate amount of EUR 10,000,000;~~
- any material borrowings and material capital expenditure. For the purposes of this paragraph: (i) **material borrowings** includes any new committed facilities (irrespective of the size of the borrowing), ~~the Preferred Securities (as defined in the Articles of LCH Group Holdings Limited)~~ and any intra-day or over-night settlement bank and concentration bank facilities entered into for the purposes of the Company's clearing activities; and (ii) capital expenditure shall be **material** if it exceeds an aggregate annual amount of EUR 3,000,000; and
- ~~• any material IT investments proposed to be made by the Company (subject to LSEG~~

consent). IT investments shall be material if they exceed an aggregate annual amount of EUR 23,000,000.

~~• any material IT investments proposed to be made by the Company. IT investments shall be **material** if they exceed an aggregate annual amount of EUR 2,000,000. As an internal restriction only and without effect towards third parties, (subject to any LSEG consent rights under article 12 of these Terms of Reference) the CEO must consult with the board of LCH Group Holdings Limited and must obtain the prior approval by a resolution of the Board in order to carry out:~~

- any type of joint venture arrangement between the Company and any third party;
- any acquisition of a business with a valuation representing 5% or more of the Company's net revenue stated in the last audited accounts published by the Company;
- any disposal of all or any material part of the Company's business;
- any decision to cease to operate all or any material part of the Company's business;
- any acquisition or disposal of shares or any interest in shares of the Company, any significant investment in any third party or the making of any takeover offer; and
- any material acquisitions and disposals, including in relation to intellectual property and the Company's various business segments and group undertakings. For the purposes of this paragraph, an acquisition or disposal shall be **material** if the value of the consideration or the assets which are the subject of the transaction exceed an aggregate amount of EUR 10,000,000.

## 13.2 Managers in Charge

The Managers in Charge are both empowered with the effective determination of the operation of the Company's business. In summary, they are notably responsible, with the support of the other members of the Senior Management of the Company for (i) the accounting and financial information of the Company, (ii) ensuring the Company complies with French and EU law requirements relating to its own funds and (iii) ensuring the Company complies with French law requirements relating to internal control within the Company. In particular but not limited to:

(a) **with respect to accounting and financial information the Managers in Charge and other members of the Senior Management of the Company (if any) shall:**

- With respect to the ACPR, a Manager in Charge shall answer any request for information, circulate accurate information and ensure the submission of annual accounts in consolidated form.
- With respect to statutory auditors, a Manager in Charge shall ensure the nomination of statutory auditors, ensure their convening to all general meetings and more generally cooperate with them in performing their

duties.

- They shall ensure that the annual accounts are made publicly available.

(b) **with respect to risk management, the Managers in Charge and other members of the Senior Management of the Company (if any) shall:**

- ensure consistency of the Company's activities with the objectives and strategy of the company as determined by the Board;
- ensure that sufficient resources are devoted to risk management;
- ensure that feedback and suggestions are provided to the Board and to the Risk Committee in respect of risk management framework including the measures taken to ensure the continuity of the activity and the assessment of the efficiency of the current arrangements, and the measures taken to ensure the control of the outsourced activities and the potential risks arising therefrom for the Company;
- more generally, ensure that risks posed to the Company are duly addressed in compliance with policies, risk appetite defined by the board and applicable regulations;

(c) **with respect to compliance and internal controls, the Managers in Charge and other members of the Senior Management of the Company (if any) shall:**

- determine the compliance, risk and internal control policies, processes and procedures of the company that promote the company's objectives, jointly with the Board (subject to regular review and testing and control of their efficiency).

13.3 The Board delegates responsibility to the CEO or his/her management team to provide to LSEG (subject to all laws and regulations (including antitrust laws and regulations)):

(a) sufficient financial and other information that LSEG may reasonably require to meet any applicable reporting requirements or standards and LSEG's budgeting and forecasting processes; and

~~(a)~~(b) the audited accounts for each financial year and monthly management reports.

#### **Article 14. Conflicts of Interest**

14.1 Subject to Article 14.18 and applicable Regulatory Requirements, a Director shall be authorised by the Board to act or continue to act as a Director of the Company notwithstanding that at the time of his/her appointment or subsequently he/she also:

- holds office as a director of, or holds any other office or employment with, any

other member of the LCH Group or the LSEG Group;

- holds office as a director of, or holds any other office or employment with, any other Eligible Institution that is a shareholder;
- participates in any scheme, transaction or arrangement for the benefit of the employees or former employees of the Company or any other member of the LCH Group or the LSEG Group (including any pension fund or retirement, death or disability scheme or other bonus or employee benefit scheme); or
- is interested directly or indirectly in any shares or debentures (or any rights to acquire shares or debentures) in the Company or any other member of the LCH Group or the LSEG Group.

and such authorisation shall also apply to a conflicting interest or duty that subsequently arises as a result of such office, employment, participation or interest.

14.2 A majority of the Independent Directors (in consultation with the Company's Head of Compliance (or his or her designee)) may, in accordance with Article 14.18, authorise any matter proposed to them which would, if not so authorised, involve a breach by a Director of his/her duty to avoid Conflicts of Interest.

14.3 Any authorisation under Article 14.2 will be effective only if:

- any requirement as to the quorum at the Board meeting at which the matter is considered is met without counting the Director in question or any other Director interested in the matter under consideration; and
- the matter was agreed to without such Directors voting or would have been agreed to if such Directors' votes had not been counted.

14.4 The Board may give any authorisation under Article 14.2 upon such terms as it thinks fit. The Board may vary or terminate any such authorisation at any time.

14.5 For the purposes of this Article 14, a Conflict of Interest includes a conflict of interest and duty and a conflict of duties, and interest includes both direct and indirect interests.

14.6 A Director shall be under no duty to the Company with respect to any information which he/she obtains or has obtained otherwise than as a Director and in respect of which he/she owes a duty of confidentiality to another person. In particular the Director shall not be in breach of the general duties he/she owes to the Company if he/she:

- fails to disclose any such information to the Board or to any Director or other officer or employee of the Company; or
- does not use or apply any such information in performing his/her duties as

a Director.

However, to the extent that his/her relationship with that other person gives rise to a Conflict of Interest or possible Conflict of Interest, this Article 14.6 applies only if the existence of that relationship has been authorised pursuant to Articles 14.1 or 14.2.

14.7 Where the existence of a Director's relationship with another person has been authorised pursuant to Articles 14.1 or 14.2 and his/her relationship with that person gives rise to a Conflict of Interest or possible Conflict of Interest, such Director shall not be in breach of the general duties he/she owes to the Company if at his/her discretion or upon suggestion of the Board or any Committee he/she:

- absents him/herself from a meeting of the Board or a Committee at which any matter relating to the Conflict of Interest or possible Conflict of Interest will or may be discussed or from the discussion of any such matter at a meeting or otherwise; or
- makes arrangements not to receive documents and information relating to any matter which gives rise to the Conflict of Interest or possible Conflict of Interest sent or supplied by or on behalf of the Company or for such documents and information to be received and read by a professional adviser on his/her behalf~~;~~.

for so long as he/she reasonably believes such Conflict of Interest (or possible Conflict of Interest) subsists.

14.8 The provisions of Articles ~~14.6~~14.6 and ~~14.7~~14.7 are without prejudice to any equitable principle or rule of law which may excuse the Director from:

- disclosing information, in circumstances where disclosure would otherwise be required under these Terms of Reference; or
- attending meetings or discussions or receiving documents and information as referred to in Article ~~14.7~~14.7, in circumstances where such attendance or receiving such documents and information would otherwise be required under these Terms of Reference.

14.9 Subject to Article 24, a Director who is in any way, directly or indirectly, interested in a proposed transaction or arrangement with the Company shall declare the nature and extent of his/her interest to the Board before the Company enters into the transaction or arrangement.

14.10 Subject to Article 24, a Director who is in any way, directly or indirectly, interested in a transaction or arrangement that has been entered into by the Company shall declare the nature and extent of his/her interest to the Board as soon as is reasonably practicable, unless the interest has already been declared under Article 14.9.

- 14.11 Subject to Article 24, any declaration required by Article 14.9. may (but need not) be made at a Board meeting or by notice in writing. Any declaration required by Article 14.10 must be made at a Board meeting or by notice in writing.
- 14.12 If a declaration made under Article 14.9 or 14.10 proves to be, or becomes, inaccurate or incomplete, a further declaration must be made as appropriate.
- 14.13 Subject to Article 24, a Director need not declare an interest under this Article 14:
- if it cannot reasonably be regarded as likely to give rise to a Conflict of Interest;
  - if, or to the extent that, the Board is already aware of it (and for this purpose the Board is treated as aware of anything of which it ought reasonably to be aware); or
  - if he/she is not aware of his/her interest or is not aware of the transaction or arrangement in question (and for this purpose a Director is treated as being aware of matters of which he/she ought reasonably to be aware).
- 14.14 Subject to the provisions of the law and provided that he/she has declared the nature and extent of any direct or indirect interest of his/hers in accordance with this Article 14, where Article 14.3 applies and no declaration of interest is required, or where Article 14.1 applies, a Director notwithstanding his/her office:
- may be a party to, or otherwise be interested in, any transaction or arrangement with the Company or in which the Company is directly or indirectly interested;
  - may act by him/herself or through his/her firm in a professional capacity for the Company (otherwise than as auditor), and in any such case on such terms as to remuneration and otherwise as the Board may decide; or
  - may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise be interested in, any corporate body:
    - in which the Company is directly or indirectly interested as shareholder or otherwise; or
    - which is the parent undertaking of the Company or a subsidiary undertaking of any parent undertaking of the Company; or
    - with which he/she has such a relationship at the request or direction of the Company or any parent undertaking of the Company or a subsidiary undertaking of any parent undertaking of the Company.
- 14.15 A Director shall not, by reason of his/her office, be accountable to the Company for any remuneration or other benefit which he/she derives from any office or employment or from any transaction or arrangement or from any interest in any

body corporate:

- the acceptance, entry into or existence of which has been authorised pursuant to Articles 14.1 or 14.2; or
- which he/she is permitted to hold or enter into pursuant to Article 14.14 or otherwise pursuant to these Terms of Reference~~7~~.

nor shall the receipt of any such remuneration or other benefit constitute a breach of his/her duty not to accept benefits from third parties. No transaction or arrangement authorised or permitted pursuant to Article 14.1, 14.2 or 14.14 or otherwise pursuant to these Terms of Reference shall be liable to be avoided on the ground of any such interest or benefit.

14.16 ~~Subject to the terms of the Relationship Agreement~~ Save that this provision shall not restrict information being shared with LSEG in its capacity as an indirect shareholder of the Company for legal, accounting, tax, regulatory or disclosure purposes, a Director nominated by a shareholder of LCH Group Holdings Limited ~~(or that Director's alternate)~~ may not provide to the shareholder of LCH Holdings Group Limited which nominated him any information which he or she receives by virtue of being a Director without the consent of a majority of the Independent Directors. The Independent Directors may give such consent either generally or in relation to specific information, and may vary or withdraw such consent at their absolute discretion.

14.17 Without prejudice to the Director's disclosure obligations under the law and these Terms of Reference, but subject to Articles 4.2 above, 14.18 and 24 below, a Director may:

- vote at any meeting of the Board or of a Committee on any resolution and be counted in the quorum present at a meeting in relation to any resolution; or
- participate in any decision unanimously taken~~7~~.

concerning a transaction or arrangement with the Company or in which the Company is interested, or concerning any other matter in which the Company is interested, notwithstanding that the Director is interested in that transaction, arrangement or matter or has in relation to it a duty which conflicts or may conflict with the interests of the Company in relation to it.

14.18 If a majority of the Independent Directors (in consultation with the Company's Head of Compliance (or his or her designee)) determine that there is a conflict of interest, pursuant to Articles 14.1 to 14.15, between:

- (a) (i) a shareholder of LCH Group Holdings Limited which is connected to a Director by virtue of his employment or directorship (a "**Conflicted Shareholder**") and (ii) the Company or any other member of the LCH Group due to litigation, arbitration or other dispute, or the proposed entry

into, material variation or termination of a contract, between any member of the LCH Group and the Conflicted Shareholder; or

- (b) (i) a Conflicted Shareholder other than LSEG and (ii) the Company or any other member of the LCH Group due to a matter other than those set out in (a) above;

each of (a) and (b) being a "**Conflict Situation**", then any Director connected to such Conflicted Shareholder shall abstain him/herself from attending any meeting (or part of a meeting) or participating in discussions or voting on any resolution at meetings of the Board or any Committee which relate to the relevant Conflict Situation, or from receiving confidential information concerning such Conflict Situation, unless a majority of the Independent Directors, in consultation with the Company's Head of Compliance (or his or her designee) agree otherwise.

#### **Article 15. Committees of the Board**

Committees established by the Board shall be responsible for preparing some of the deliberations of the Board and submitting to the Board their opinions, proposals and recommendations.

Committees may, in the exercise of their duties, after having informed the Chairman, carry out at the Company's expense any study that may inform the deliberations of the Board. In carrying out its duties, the Committees may interview the LCH Group management as well as auditors.

There are ~~four~~five standing committees which assist the Company: the Audit Committee, the Risk Committee, the Remuneration Committee ~~and~~ the ~~Group~~-Nomination Committee ~~and the Technology, Security and Resilience Committee~~. Each Committee is composed of Directors or other individuals with specific skills in given areas.

In addition to these standing Committees, the Board may establish one or more *ad hoc* Committees.

~~The Group Nomination Committee is a LCH Group level committee but can make recommendations to the Board in relation to the Company.~~

The proceedings of the Committees shall be governed by those provisions of the articles of association of the Company and of these Terms of Reference which regulate the proceedings of Directors so far as they apply.

#### **Article 16. Audit Committee**

Organisation and functioning of the Company's Audit Committee is detailed in the ~~7~~7 terms of reference of the Audit Committee from time to time.

These Audit Committee terms of reference are reviewed annually and are subject to approval of the Board. ~~These terms of reference shall be on substantially similar terms to and, in respect of the rights of LSEG under~~ the terms of reference ~~of~~of the ~~audit committee of LCH~~

~~Group Holdings Limited,~~ consent of LSEG. These Audit Committee terms of reference are subject to any changes required by the regulators of ~~LCH Group~~ the Company or as a result of applicable law or regulation, including with regard to the composition of the Company's Audit Committee.

A director representing LSEG shall be ~~entitled to nominate a director (or, following the appointment by LSEG of one independent non-executive director as an LSEG Director to the LCH Group Holdings Ltd board, other LSEG Audit Representative)~~ to part of the Company's Audit Committee.

A director representing Euronext shall be ~~entitled to have a representative at the LCH SA~~ part of the Company's Audit Committee in accordance with the terms of the Derivatives Clearing Agreement (**DCA**) entered into by LCH SA, LCH Group Holdings Limited and the Euronext market undertakings.

### **Article 17. Risk Committee**

Organisation and functioning of the Company's Risk Committee is detailed in the terms of reference of the Risk Committee from time to time.

These Risk Committee terms of reference are reviewed annually and are subject to approval of the Board and, in respect of the rights of LSEG under the terms of reference, the consent of LSEG.

~~LSEG shall be entitled to nominate to the Company's Risk Committee:~~

- ~~• for so long as LSEG has a Significant Interest in LCH Group Holdings Limited, the vice-chairman (or such other person as LSEG chooses); and~~
- ~~• for so long as LSEG has a Material Interest in LCH Group Holdings Limited, one representative;~~

~~in each case~~ A director representing LSEG shall be the vice-chairman of the Company's Risk Committee, provided that such person has the skills and experience commensurate with such a role.

### **Article 18. ~~Group~~ Nomination Committee**

Organisation and functioning of the ~~Group~~ Nomination Committee is detailed in the terms of reference of the Nomination Committee from time to time.

These Nomination Committee terms of reference are reviewed annually and are subject to approval ~~of the board of LCH Group Holdings Limited, the Board, the Boards of any other entities within the LCH Group from time to time and LSEG (for so long as LSEG is entitled to exercise or control the exercise of at least 40% of the votes able to be cast on all or substantially all matters at general meetings of LCH Group Holdings Limited)~~ by the Board and the consent of LSEG.

~~If the Company establishes its own nomination committee, such committee shall adopt terms~~

~~of reference on substantially similar terms to the terms of reference of the Group~~ A director representing LSEG shall be part of the Company's Nomination Committee, ~~subject to any changes required by the regulators of LCH Group Holdings Limited or as a result of applicable law or regulation, including with regard to the composition of such nomination committee.~~

~~LSEG shall be entitled to nominate a director, who is a director appointed by LSEG on the board of any LCH Group company (or other LSEG NomCom Representative) to the Company's nomination committee.~~

## Article 19. Remuneration Committee

The Company has established its own Remuneration Committee and has therefore adopted terms of reference which take into account the remuneration policy and principles applied by the remuneration committee of ~~LCH Group Holdings Limited (Group) and the remuneration committee of~~ LSEG for its executive management.

Organisation and functioning of the Remuneration Committee is detailed in the LCH SA terms of reference of the Remuneration Committee of the Board of Directors from time to time. These terms of reference are reviewed annually.

Such Remuneration Committee terms of reference may be amended with the approval of the Board only and ~~(for so long as LSEG is entitled to exercise or control the exercise of at least 40 per cent of the votes able to be cast on all or substantially all matters at general meetings in the Company and only to the extent that LSEG's rights or interests in those paragraphs are being amended),~~ in respect of the rights of LSEG under the terms of reference, the consent of LSEG.

~~The Remuneration Committee shall also be mindful of its obligation to operate in accordance with the terms set out in clause 12 of the Relationship Agreement between inter alia LCH Group and LSEG, as amended from time to time.~~

~~Eventually, for so long as LSEG is entitled to exercise or control the exercise of at least 5 per cent of the votes able to be cast on all or substantially all matters at general meetings in the Company, LSEG shall be entitled to nominate one independent non-executive director of the board of LSEG (who may also be, but is not required to be, a director appointed to the Board of the Company by LSEG) to the~~ A director representing LSEG shall be part of the Company's Remuneration Committee. Ideally such ~~independent non-executive~~ director of the board of LSEG would also be a member of LSEG's remuneration committee.

**Article 20. Technology, Security and Resilience Committee**

Organisation and functioning of the Technology, Security and Resilience Committee is detailed in the terms of reference of the Technology, Security and Resilience Committee from time to time.

These Technology, Security and Resilience Committee terms of reference are reviewed annually and are subject to approval by the Board.

**Article ~~20~~21. Remuneration of non-executive Directors**

Non-executive Directors may only receive a fixed annual sum as compensation for their activity (as Directors and/or Committees members), the amount of which would be decided by the shareholders' meeting.

The Board may decide to entrust certain Directors with specific tasks or services for and on behalf of the Company. Directors shall on the recommendation of the Remuneration Committee be entitled to exceptional remuneration as the Board may determine in respect of these specific tasks or services, excluding the Independent Directors.

No Independent Director or non-executive Director may receive performance-based remuneration for their services.

**Article ~~21~~22. Reimbursement of expenses**

Expenses regarding travel, accommodation, food services and the tasks of Directors related to Board meetings, Committee meetings or any other meeting regarding the work of the Board or its Committees, shall be covered or shall be subject to reimbursement by the Company, upon the presentation of receipts.

The Secretary receives and verifies the aforementioned receipts and sees to their payment or to the reimbursement of the amounts due.

**Article ~~22~~23. Training**

Upon their appointment or throughout the duration of their term, each Director can receive training regarding the activities of the Company as deemed necessary for the fulfilment of their tasks.

Any Director who wishes to receive training on his/her role as a Director or the specific features of the Company may request it at any time. One or more ad hoc training sessions will then be set up which will include meetings with the executive officers.

Information on the specific accounting, financial and operational features of the Company is made available to all members of the Audit Committee on request.

**Article ~~23~~24. Evaluation of the Board**

Each year, a questionnaire evaluating the Board's performance is submitted to each Director.

This questionnaire covers the Board's activities demonstrating its role and responsibilities, organisation, operation and training policy. The analysis of the questionnaire is done anonymously and the results shall be presented at the last meeting of the Board for the year. The results of this evaluation as well as the follow up measures that may be decided shall be outlined in the minutes of the meeting.

**Article 2425. Related party agreements between the Company and a manager, a Director or a shareholder**

Save for transactions entered into by the Company in the ordinary course of business and transactions entered into two companies if one of them holds, directly or indirectly, the entire share capital of the other (after deduction of the minimum number of shares required to comply with article L. 225-1 of the French Commercial Code), agreements between the Company and its Chairman, its CEO, one of its Deputy-CEO (if any), one of its Directors, or one of its shareholders holding over 10% of the voting rights of the Company, or in the case of a company which is a shareholder of the Company, agreements with the entity that controls this shareholder, shall be subject to the authorisation, verification and approval procedure provided for in the French commercial code. The same applies to agreements in which one of the above persons has an indirect interest or where they enter into an agreement with the Company through an intermediary.

Agreements between the Company and an entity where the CEO of the Company, one of the Deputy-CEO of the Company (if any) or one of the Directors of the Company is a shareholder, a partner with unlimited liability, a manager, a director, a member of the supervisory board or, in general, a manager of that entity, are also subject to the aforementioned procedure.

Directors (whether legal persons or not) are prohibited, under penalty of nullity of the contract, from entering into contracts in relation to obtaining from the Company (i) loans or overdrafts on a current account, or (ii) an endorsement or guarantee of the Directors' commitments towards third parties. This prohibition also applies to the spouses, ascendants and descendants of the Directors as well as to all intermediaries.

Any contracts and agreements (including commercial and trading arrangements in the ordinary course of business) between the Company and LSEG or any member of the LSEG Group, will be subject to the prior approval of a committee of the Board consisting solely of the independent non-executive directors of the Company, which approval shall be given provided that the contract or agreement is on bona fide arm's length terms (and such committee's determination will be final).

**Article 26. Group Compliance**

In acknowledgement of LSEG's obligations under the Financial Conduct Authority's Listing Rules (from time to time), the Board will notify LSEG of any proposed transaction in relation to the Company or of which the Board is otherwise aware which may constitute for LSEG either:

- 26.1 a significant transaction under Listing Rule 10 (including, for example, any material acquisitions or disposals or providing a non-ordinary course indemnity to

a third party); or

- 26.2 a related party transaction under Listing Rule 11 (including, for example, any proposed transaction or arrangement with (i) a person holding 10% or more of the voting rights in LSEG or any member of the LSEG Group (or who held such voting rights in the past 12 months) and (ii) any director of LSEG or any member of the LSEG Group (including for these purposes, any director of any LCH Group company), or who was such a director in the past 12 months),

and, if LSEG informs the Board that such proposed transaction does constitute a transaction (or other relevant matter) under Listing Rule 10 or 11, no such transaction will take place without the prior approval of LSEG.

### **Article 27. Amendment**

These Terms of Reference may be amended by the Board, provided that any changes to LSEG's rights or any changes which would otherwise have a detrimental effect on LSEG's rights pursuant to these Terms of Reference will be subject to the consent of LSEG.

**EXHIBIT 5B****LCH SA**  
(the *Company*)**TERMS OF REFERENCE OF THE NOMINATION COMMITTEE  
OF THE BOARD OF DIRECTORS**

Adopted by the Board of Directors on [•] 2020

**1. BACKGROUND**

The board of directors of the Company (the *Board*) has resolved to establish a nomination committee (the *Committee*) and to adopt these Terms of Reference with effect from the date set out above. These Terms of Reference address the nomination of certain directors to the Board and replace any previous terms of reference for any nomination committee of the Board.

**2. PURPOSE****Board****2.1** The Committee shall make recommendations to the Board for nominations of the following candidates for appointment as directors of the Board:

- 2.1.1 the independent chairman of the Board (the *Chairman*);
- 2.1.2 up to four independent directors who meet the standards of independence set out in paragraph 7.3 (the *Independent Directors*) (at least two of whom shall not also be independent directors on the board of directors of LCH Limited);
- 2.1.3 up to two directors (the *User Directors*) associated with or connected to shareholders of LCH Group Holdings Limited (the *Parent Company* and together with its subsidiaries, the *LCH Group*) other than London Stock Exchange Group plc (*LSEG* and together with its subsidiaries (other than the LCH Group), the *LSEG Group*) or other exchanges, trading venues, multilateral trading facilities, alternative trading systems or similar (the *User Shareholders*);
- 2.1.4 the director nominated by LSEG in accordance with paragraph 3; and

- 2.1.5 the director nominated by Euronext Brussels S.A./N.V., Euronext Amsterdam N.V., Euronext Paris S.A., Euronext Lisbon – Sociedade Gestora De Mercados Regulamentados S.A. and Euronext UK Markets Ltd (**Euronext**) in accordance with paragraph 4.
- 2.2 The recommendations made by the Committee as set out in paragraph 2.1 shall (i) take into account the criteria set out in these Terms of Reference and (ii) be subject to any changes to the composition of the Board for regulatory purposes or as otherwise may be agreed by a majority of the directors of the Board from time to time, subject to LSEG consent.
- 2.3 The Board will also comprise:
- 2.3.1 the chief executive officer of the Parent Company (the **Group CEO**);
- 2.3.2 the chief executive officer of the Company (the **Company CEO**) as proposed by the Group CEO; and
- 2.3.3 the chief risk officer of the Parent Company as proposed by Group CEO or such other LCH executive as may be proposed by the Group CEO (together with the Group CEO and the Company CEO, the **Executive Directors**).
- 2.4 The Committee shall regularly assess the structure, size, composition and performance of the Board, and shall make recommendations to the Board if any changes are considered necessary or desirable.
3. **LSEG DIRECTOR**
- 3.1 Without prejudice to any other rights which LSEG may have, LSEG has the right to appoint one LSEG director to the Board (the **LSEG Director**).
- 3.2 If the existing LSEG Director retires or is removed, LSEG shall propose to the Committee a candidate to be the replacement LSEG Director.
- 3.3 The Committee shall consider:
- (i) the seniority, experience, skill and expertise of each candidate; and
- (ii) the regulatory good standing of each candidate.
- 3.4 The Committee shall recommend to the Board the appointment of the candidate proposed by LSEG unless it considers the candidate not to be appropriate based on the criteria set out in paragraph 3.3 .

4. **EURONEXT DIRECTOR**

- 4.1 Without prejudice to any other rights which Euronext may have, Euronext has the right to appoint one Euronext director to the Board (the ***Euronext Director***).
- 4.2 If the existing Euronext Director retires or is removed, Euronext shall propose to the Committee a candidate to be the replacement Euronext Director.
- 4.3 The Committee shall consider:
- (i) the seniority, experience, skill and expertise of each candidate;
  - (ii) the regulatory good standing of each candidate.
- 4.4 The Committee shall recommend to the Board the appointment of the candidate proposed by Euronext unless it considers the candidate not to be appropriate based on the criteria set out in paragraph 4.3.

5. **EXECUTIVE MANAGEMENT TEAM**

The Company CEO will be responsible for appointing their own management team in consultation with the Group CEO.

6. **DUTIES AND POWERS OF THE COMMITTEE**

- 6.1 The Committee shall put forward candidates for appointment as directors in accordance with paragraphs 2, 3 and 4 and coordinate any necessary succession planning in respect of the Chairman or directors of the Board.
- 6.2 The Committee will need to be satisfied that candidates understand the responsibilities of Board membership and will be able to devote the necessary time to Company matters.
- 6.3 The Committee will need to ensure that its recommended candidates are respected for their competence and are of good standing in their field of business and that such recommended candidates are not disqualified under any provisions of applicable law from serving on the Board.
- 6.4 The Committee shall make available to the Board on a regular basis all such information as is required to ensure that the Board is formally kept up to date with the actions, deliberations and determinations of the Committee.
- 6.5 The Committee will undertake any other tasks required of it by the Board.

- 6.6 The Committee is authorised by the Board to:
- (a) undertake any activity within its frame of reference;
  - (b) make whatever enquiries or solicit whatever further information it may need from nominees or employees of the Company or the LCH Group or elsewhere, in order to perform its duties;
  - (c) maintain a list of potential candidates and may discuss with any such candidate the Committee's requirements for nomination;
  - (d) obtain, at the Company's expense, outside legal or other professional advice on any matter within its Terms of Reference and to invite those persons to attend at meetings of the Committee; and
  - (e) delegate any of its powers to one or more of its members or the Committee Secretary.
- 6.7 The Committee will consult from time to time with the nomination committee of LCH Limited to ensure that there is a coordinated process for the appointment of suitable directors to the Board and the board of directors of LCH Limited.
- 6.8 The Committee shall keep itself informed of any changes in the laws and regulations applicable to the composition of the Board and the other matters for which the Committee is responsible.

## 7. **PROCEDURES OF THE COMMITTEE**

### **Appointment of the Chairman and the Independent Directors**

- 7.1 The Committee shall set its own procedures when making decisions on recommendations in relation to the appointment of a new Chairman and/or the Independent Directors to the Board. However, as part of such procedures it will:
- (f) draw up a short-list of potential candidates whose suitability and willingness to be appointed should be explored in greater detail (and may engage a reputable firm of search consultants to recommend candidates);
  - (g) consult the Group CEO, the chief executive officer of LSEG and the chairman of LSEG (and may consult other persons who are not members of the Committee as appropriate) as to the suitability of the short-listed candidates being considered by the Committee, and if requested, arrange meeting(s) with short-listed candidates;

- (h) with regard to the appointment of a new Chairman, consult with the Independent Directors in advance of making a recommendation to the Board.
- 7.2 When the Committee makes decisions on recommendations in relation to the appointment of a new Chairman to the Board, unless the Independent Directors on the Committee approve otherwise, the then current Chairman shall not be entitled to attend any part of a meeting of the Committee at which a candidate for the role is considered or to vote on whether a candidate should be short-listed or recommended to the Board for appointment.
- 7.3 In determining whether a person is fit for appointment as Chairman or as an Independent Director, the Committee shall consider whether such person is independent in character and judgment, and whether there are relationships or circumstances (including any with LSEG or any member of the LSEG Group and/or with any User Shareholder) which are likely to affect, or could appear to affect, such person's judgment. In addition, the Committee shall have regard to relevant factors which may include if such person has a relationship that would disqualify such person as a "public director" within the meaning of the CFTC Rules in force from time to time or as an "independent director" under any corporate governance standards applicable from time to time or which the Board otherwise determines should be complied with in the interests of best practice corporate governance.
- 7.4 The Committee shall, as often as necessary in light of all the facts and circumstances, but at least annually, verify its determination made pursuant to paragraph 7.3 in respect of each Independent Director's fitness.
- 7.5 When the Committee makes decisions on recommendations in relation to the appointment of a new Independent Director to the Board, the Committee will take into account (amongst other things) that ideally there should be, amongst the Independent Directors:
  - (i) a breadth of industry expertise and experience and product knowledge;
  - (j) particular expertise and experience in each of (i) risk management, (ii) audit, (iii) clearing services and (iv) financial services; and
  - (k) diversity, including gender, age, geographical provenance, and educational and professional background.

- 7.6 When the Committee makes recommendations of Independent Director candidates, it shall state its reasons, identifying (if relevant) why it considers that the candidate is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination as described in paragraph 7.3.

#### **Appointment of User Directors**

- 7.7 The Appendix to these Terms of Reference sets out the process whereby User Directors shall be nominated to the Board, including the approval rights of LSEG with respect to such appointees.

### **8. TENURE OF DIRECTORS**

- 8.1 Each director (other than the Executive Directors and User Directors) shall in principle have a maximum tenure on the Board of three three-year terms. However, the Committee may nominate an Independent Director for such longer period as is necessary to ensure that not all such Independent Directors' appointments terminate at the same time.
- 8.2 All User Directors shall have a tenure on the Board of one three-year term, unless otherwise agreed by the Board to ensure that not all such User Directors' appointments terminate at the same time.
- 8.3 The terms of appointment of each User Director shall provide that such User Director must retire from the Board if any of the circumstances set out in sub-paragraphs 2(a) through 2(f) of the Appendix occurs.

### **9. MEMBERSHIP OF THE NOMINATION COMMITTEE**

- 9.1 The Committee shall be appointed by the Board and the membership shall comprise the Chairman, at least two Independent Directors, one User Director and the LSEG Director.
- 9.2 The size of the Committee will be at the discretion of the Board and, for the current time, will comprise four to six directors.
- 9.3 The Chairman, or such other Independent Director as the independent directors and LSEG may agree, shall act as chairman of the Committee (the **Committee Chairman**). In the absence of the Committee Chairman and/or an appointed deputy at any meeting, the remaining members present shall elect one of themselves to chair the meeting from among the Independent Directors present.

### **10. SECRETARY**

The Company secretary or his or her appointed nominee shall be secretary of the Committee (the **Committee Secretary**).

11. **TENURE OF NOMINATION COMMITTEE MEMBERS**

- 11.1 The Committee Chairman will keep the Committee's composition under review, and shall make proposals to the Board accordingly.
- 11.2 If a member of the Committee ceases to be a director of the Company, that person's membership of the Committee shall automatically cease.

12. **NOTICE OF MEETINGS**

- 12.1 Notice of meetings shall be given by the Committee Chairman, or the Committee Secretary at the request of the Committee Chairman.
- 12.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend prior to the date of the meeting in a timely manner. Supporting papers shall be sent to Committee members, and to other attendees as appropriate, at the same time.

13. **TIMING AND LOCATION OF MEETINGS**

The Committee shall meet at least twice a year and additional meetings shall be arranged as necessary in order to fulfil the duties of the Committee.

14. **ATTENDANCE AT MEETINGS**

- 14.1 Only members of the Committee have the right to attend Committee meetings. Other individuals, such as appropriate senior employees and/or external advisers, may attend all or part of any meeting, as and when appropriate, at the invitation of the Committee Chairman.
- 14.2 Members of the Committee may hold meetings in person, by telephone or by video conference or any combination of these. Decisions may also be made by e-mail circulation, providing that approval is unanimous.

15. **QUORUM**

The quorum for meetings shall be one Independent Director, one User Director and the LSEG Director on the Committee. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

## 16. **MINUTES OF MEETINGS**

The Committee Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance, and such minutes shall be presented to the Committee for approval at the next following meeting.

## 17. **REPORTING AND REVIEWS**

17.1 The Committee Chairman shall report to the Board on the discussions, decisions and recommendations of the Committee.

17.2 The Committee shall produce to the Board for approval each year a summary of (i) its activities, (ii) the process used to make nominations, (iii) a description of its policy on diversity (including gender), any measurable objectives it has set for implementing the policy and progress on achieving such objectives and (iv) shall either explain if external advice or search consultants have not been used or, if they have been used, identify them and state whether they have a connection with the Company. Following such approval, that summary is to be included as a section in the Company's annual report.

17.3 The Committee Chairman, or his or her designee, will make available to the chief compliance officer of the Company (the **Chief Compliance Officer**) such information relating to the Committee's work as is necessary for the relevant Chief Compliance Officer to draft and submit the annual compliance reports required by the CFTC Rules and other applicable regulations in force from time to time.

17.4 The Committee shall, at least annually, carry out a review of the individual and collective performance of the "management body" of the Company (taking into account the joint ESMA and EBA Collective Assessment Guidelines in place from time to time) and shall recommend any changes considered necessary to the Board for approval.

## 18. **AMENDMENT**

These Terms of Reference may be amended with Board approval, subject to LSEG consent.

## 19. **CONFIDENTIALITY AND CONFLICTS OF INTEREST**

19.1 All confidential matters considered by the Committee and any confidential information disclosed to members of the Committee in connection with their position as a member of the Committee must remain confidential, notwithstanding the company to which that

information relates, nor whether the member is a director of that company or not, save as required to be disclosed by law or regulation. Any other persons involved in the Committee's work shall either be bound by undertakings of professional secrecy or by ad hoc confidentiality agreements with the Committee.

19.2 Conflicts of interest relating to Committee members shall be governed by the relevant articles in the articles of association of the Company from time to time.

20. **OTHER**

20.1 The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required on all Committee matters.

20.2 Every member of the Committee shall be given a copy of these Terms of Reference.

20.3 The Committee shall be provided with appropriate and timely training, both as an induction process and on an ongoing basis, and provided with access to external consultancy support, when required.

## APPENDIX

## Mechanism for Appointment of User Directors to the Board

1. Any User Shareholder which (i) is not connected with an existing director (other than a director who retires or is removed in accordance with paragraph 2(b), (d) or (e) below), and (ii) has not served notice terminating its clearing relationship with any member of the Group (an **Eligible User**) may be invited by the Board as it sees fit from time to time to nominate to the Committee a candidate for appointment as a User Director on the Board.
2. The Committee will recommend an individual to replace any User Director who:
  - (a) retires of their own volition;
  - (b) retires or is removed as a result of the User Shareholder which nominated them ceasing to be an Eligible User;
  - (c) retires or is removed as a result of their ceasing to be employed by, or for any other reason upon request by, the User Shareholder which nominated them;
  - (d) retires or is removed following a change of role within the User Shareholder, if such role change would result in the User Director concerned no longer being able to maintain the relevant skill and expertise; or
  - (e) is disqualified or removed in accordance with the articles of association of the Company,together, **Retiring User Directors**.
3. The Committee will recommend the appointment of candidates to replace Retiring User Directors selected using the following process:
  - (a) The Committee will select which Eligible Users shall be invited to propose to the Committee a candidate or candidates to replace a Retiring User Director (each such Eligible User being a **Nominating User**). The Committee will review the list of Eligible Users that it considers most likely to promote the success of the Company and, in so doing, will have regard to the following factors (in no particular order):
    - (i) the number of each Eligible User's contracts or trades (as the case may be) cleared by any member of the Group in the immediately preceding 12 months;
    - (ii) any other contribution made to the Group's business by each Eligible User, including without limitation assistance provided to

the Group in the development of new projects and the introduction to the Group of new clearing clients;

- (iii) the size of each Eligible User's shareholding in the Parent Company; and
  - (iv) how recently (if at all) the relevant Eligible User has been represented on any LCH Board, and the desirability of achieving a reasonably fair rotation of appointees among Eligible Users.
- (b) The Committee will invite each Nominating User to propose one or more candidate(s) for the role of User Director for consideration by the Committee.
- (c) Once the Committee has received details of a Nominating User's candidate(s), the Committee will decide whether to approve the relevant candidate(s) (or any of them) (each such candidate being an **Approved Candidate**) and, in so doing, will have regard to the following factors:
- (i) the seniority, experience, skill and expertise of each candidate;
  - (ii) the regulatory good standing of each candidate;
  - (iii) the desirability of having deep expertise on a wide range of products on the Board, including those which pose the greatest risk challenges for the Company from time to time;
  - (iv) the desirability of having on the Board significant experience and expertise in the Company's principal markets; and
  - (v) the desirability of diversity on the Board, including gender, age, geographical provenance, and educational and professional background.
- (d) If the Committee fails to approve any candidate proposed by a Nominating User for appointment as a User Director, such Nominating User will be allowed time to nominate one or more alternative candidates for consideration by the Committee until the Committee has approved a candidate proposed by such Nominating User.
- (e) The Committee will select such number of Approved Candidates as is equal to the number of Retiring User Directors (the **Proposed Directors**) for appointment as User Directors. The Committee will select those Approved Candidates that it considers to be most appropriate for the Board's needs in light of the factors set out at paragraphs 3(a) and 3(c) above. The Committee will then seek LSEG's approval of each Proposed Director.

- (f) If LSEG does not approve a Proposed Director then the Committee shall propose an alternative Proposed Director selected pursuant to paragraph 3(g)(i) or (ii) below but may nevertheless decide to propose such rejected Proposed Director to the Board together with the alternative Proposed Director selected pursuant to paragraph 3(g)(i) or (ii).
- (g) If LSEG does not approve a Proposed Director, the Nominating User concerned may:
  - (i) accept that the relevant Proposed Director should not be appointed as a User Director (in which case the Committee shall select another Proposed Director from among the Approved Candidates to be put to LSEG for its approval); or
  - (ii) propose one or more alternative candidates to be considered by the Committee on the basis set out above and, if approved by the Committee for appointment as a User Director, to be put to LSEG for its approval. However, the Committee will not be obliged to select such alternative candidate as a Proposed Director and may select another Approved Candidate as a Proposed Director in his or her place.
- (h) If LSEG approves a given Proposed Director, the Committee shall recommend the Proposed Director's appointment to the Board as a User Director.

## EXHIBIT 5C

LCH SA  
(the *Company*)TERMS OF REFERENCE OF THE RISK COMMITTEE OF  
THE BOARD OF DIRECTORS

Adopted by the board of directors on ~~14 May 2019~~<sup>[•]</sup> 2020

## 1. COMPOSITION

1.1 The Risk Committee (the *Committee*) shall, subject to paragraph 1.4 below and subject to any co-option as referred to in paragraph ~~1.10~~<sup>1.11</sup> below, comprise:

1.1.1 such number of independent non-executive directors that is required from time to time each of whom has been appointed either (i) in accordance with, and satisfies the criteria for independence set out in, the terms of reference of the ~~LCH Group Holdings Limited (the Group)~~<sup>Company's</sup> nomination committee (the *Nomination Committee*) or (ii) in the case of the Vice Chairman of the Committee (the *Vice Chairman*), who has been appointed pursuant to paragraph 1.4 below, satisfies all applicable corporate governance standards of independence (each, an *Independent Director*). One of the Independent Directors will be the Chairman of the Committee (the *Committee Chairman*) nominated by the Board and one will be the Vice Chairman of the Committee, if relevant, appointed pursuant to paragraph 1.4 below;

1.1.2 such number of members who represent a clearing member of the Company or part of the group to which a clearing member belongs that is required by law or regulation from time to time and who have significant expertise and experience in market, credit or liquidity risk management or other risk disciplines related to CCP risk management (each, a *User*); and

1.1.3 such number of representatives of end-client of Users (who shall have significant expertise and experience in risk-related, audit, regulatory or compliance issues) that is required by law or regulation from time to time (each, a *Client*);

provided that: (1) the Committee Chairman is an Independent Director; (2) at least one but not more than 50% of Committee members are Independent Directors; (3) at least one but not more than 50% of Committee members are Users; (4) at least one but not more than 50% of Committee members are Clients; and (5) no User, or Client representatives are also employees of the Group.

1.2 The following individuals may be invited to attend the meetings of the Committee on relevant matters from time to time, in a non-voting capacity:

1.2.1 the Chairman of the Audit Committee of the Company;

1.2.2 *ex officio* the Chief Executive Officer of the Company;

1.2.3 *ex officio* the Chief Risk Officer of the Company who shall be responsible for all technical issues and recommendations made to the Committee;

1.2.4 *ex officio* the ~~Group~~ Chief Risk Officer of LCH Group Holdings Limited (LCH Group and together with its subsidiaries, the Group);

1.2.5 *ex officio* the Chief Executive Officer of ~~the~~LCH Group;

1.2.6 *ex officio* the Head of Financial Risk of the London Stock Exchange Group plc (LSEG), or their nominated delegate;

1.2.7 *ex officio* a representative of Euronext who shall be a specialist in risk related , audit, regulatory or compliance issues , or their nominated delegate;

1.2.8 such other individuals within the Group as considered appropriate by the Committee; and

1.2.9 ~~1.3~~ such other risk expert individuals who are representatives of Users of the Company (who are not already represented by a voting member of the Committee) as considered appropriate by the Committee (hereafter the ~~“Risk Expert Attendees”~~).

1.3 Members of the Committee shall be appointed by the Board in consultation with the Committee Chairman, save (i) for the Vice Chairman or who shall be appointed pursuant to paragraph 1.4 below and (ii) in the circumstances described in paragraph 2.7 below.

- 1.4 ~~For so long as the London Stock Exchange Group plc (LSEG) is entitled to exercise or control the exercise of at least 40 per cent. of the votes able to be cast on all or substantially all matters at general meetings of the Company,~~ LSEG shall be entitled to appoint the Vice Chairman to the Committee provided that such person has the skills and experience commensurate with such a role.
- 1.5 Committee members that are not Independent Directors (each, an **External Committee Member**) attend in their capacity as risk experts and represent the clearing members or end-user clients (as the case may be) as a whole.
- 1.6 Only one External Committee Member from each User or Client (or, if any are part of a group, the group to which such User or Client belongs), is permitted. External Committee Members will do their best to contribute both their own expertise and the expertise of the User or Client (or group, if appropriate) for which they work for all markets and products which the User or Client (or group, if appropriate) clears with the Company. Where expertise other than the specialty of the External Committee Member is required, he or she will consult internally prior to the Committee meeting. Papers will be issued in good time to permit this.
- 1.7 User and Client membership of the Committee will be reviewed on an annual basis at a minimum. The metric for determining which Users and Clients are members of the Committee will be based on factors including the asset classes cleared, volume cleared, the level of contribution to the relevant default funds and whether they have previously been a voting member of the Committee.
- 1.8 As far as User membership of the Committee is concerned, a rotation between Risk Experts shall be performed, as previously approved by the Board, in accordance with the terms set out in Appendix 1.
- 1.9 The Company secretary or his or her appointed nominee shall be secretary of the Committee (the **Committee Secretary**).
- 1.10 The Committee Chairman, Vice Chairman and Committee Secretary will together seek to ensure that the Committee has a suitable range of expertise to consider and evaluate the risk matters placed before it, with particular reference to changes in the risks managed by the Company.

- 1.11 The Committee may co-opt any person, either for consideration of an individual subject or for a longer period.
- 1.12 The Committee may set up one or more advisory groups for the purpose of reporting back to it on specific issues. The Committee shall not delegate any of its powers or responsibilities set out herein to any such advisory group.
- 1.13 Subject to paragraph 1.4, the Board may remove members of the Committee with or without cause.
- 1.14 It is acknowledged that competent regulatory authorities shall have the right to request to attend Committee meetings in a non-voting capacity and be duly informed of the activities and decisions of the Committee.

## **2. CONDUCT OF MEETINGS**

- 2.1 Notice of meetings shall be given by the Committee Chairman, or the Committee Secretary at the request of the Committee Chairman.
- 2.2 Save for in exceptional circumstances, (i) notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend prior to the date of the meeting in a timely manner and (ii) supporting papers shall be sent to Committee members, and to other attendees, as appropriate, at least 72 hours before the start of each meeting.
- 2.3 In exceptional circumstances the Chairman as the discretion to convene a meeting of the Committee on short notice.
- 2.4 Meetings shall be held a minimum of six times per year, or more frequently according to the business to be considered.
- 2.5 Other than in exceptional circumstances, all meetings shall be held in one of the registered offices of the Group entities.
- 2.6 Committee members, including External Committee Members are encouraged to attend Committee meetings in person. Meetings can however be attended by audio or video conference facilities if necessary.
- 2.7 A quorum shall consist of a majority of the Committee members, including the

Committee Chairman or Vice Chairman who shall at ~~his~~their sole discretion decide whether to defer decisions or recommendations on certain items in the light of the balance of attendance. Exceptionally, the Committee Chairman or Vice Chairman may nominate another Independent Director to represent them. Without prejudice to the above, in the event that the quorum requirement would not be met, the Committee Chairman, for the purpose of a specific meeting, may appoint a Risk Expert as a User Member (hereafter a Back-up Member) from a list approved by the Board and in the order established by such a list. In any event, the Committee Chairman shall ensure, when appointing a Back-up Member, that there is an appropriate representation of clearing members as a whole and shall report such an appointment to the Board.

- 2.8 Decisions will be taken by consensus. If no consensus can be reached then the topic shall be put to a vote. All voting members of the Committee have one vote. The decision will be taken by simple majority of those present at the meeting. A decision requires the majority of the Independent Directors present at the meeting to vote in favour.
- 2.9 The Committee Chairman and/or Vice Chairman shall report to the Board of the Company on the discussions, decisions and recommendations of the Committee in order for the Board to formally ratify these decisions and recommendations. The Committee Secretary shall make all minutes available to the Board ~~and to~~ the ~~respective~~ Committee ~~Chairmen~~Chairman of the Audit Committee of the Company and ~~of~~ the LCH Group Board.
- 2.10 The Chief Risk Officer of the Company shall report to the Board of ~~the~~LCH Group on the discussions, decisions and recommendations of the Committee to formally ratify those decisions and recommendations which affect the Group.

## PURPOSE OF THE COMMITTEE

### 3. RISK APPETITE

To consider and comment on aspects of the Company's risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic and financial environment, as reported upon regularly at Committee meetings.

### 4. EXECUTIVE RISK COMMITTEE

- 4.1 To receive advice, recommendations and updates (as applicable) from the Executive Risk Committee of the Company (**ERCo**) in respect of the areas to which ERCo's delegated powers, described in these Terms of Reference, apply and in respect of proposed revisions to the risk policies and risk methodology subject to the ERCo's oversight and review.
- 4.2 To receive a detailed report from the ERCo which includes (i) the risk profile of the Company and the Group on a monthly basis and its evolution over time, (ii) qualitative comments from the ERCo and the Chief Risk Officer of the Company in relation to areas of potential concern, and (iii) a particular focus on concentration risk and members' margin circumstances.

## **5. CLARIFICATION OF THE POWERS OF THE CHIEF EXECUTIVE OFFICER OF THE COMPANY**

- 5.1 The Chief Executive Officer of the Company has responsibility for all risk decisions taken within the framework of agreed risk policies. The exercise of these powers is considered necessary to formally preserve the independence of risk management, to avoid conflicts of interest if the Board or Committee was involved in the decision taking, and to ensure a timely response to situations which may develop or deteriorate rapidly.
- 5.2 These powers of the Chief Executive Officer establish a boundary line between the Committee's role in respect of policy review and recommendation and executive responsibility for risk management actions within the agreed policy framework.
- 5.3 The Chief Executive Officer may delegate the powers necessary to achieve the performance and implementation of any and all of his or her responsibilities and decisions referred to in these Terms of Reference to the Chief Risk Officer of the Company.

## **6. MEMBERSHIP**

- 6.1 To review, on a periodic basis, criteria for initial admission to clearing membership and continuing membership criteria, to consider proposals for new criteria, and, as appropriate, to recommend any changes to the relevant decision-making body.
- 6.2 To review decisions of the Chief Executive Officer of the Company or ~~his~~their delegate relating to approvals and denials of membership applications.

- 6.3 To review annually the Counterparty Credit Risk Policy and, as appropriate, to recommend any changes to the Board. This review should include data on the previous year's changes in overall membership, specific aggregate information on the nature of the new members (if any) and their risk profile (if different from the existing membership), together with an assessment of any potential policy implications.
- 6.4 Clarification of approvals of the Chief Executive Officer of the Company:
- 6.4.1 Pursuant to paragraph 6.1 above, application by a current clearing member to extend its clearing activities *vis-a-vis* the Company may be approved by the Chief Executive Officer of the Company subject to the Committee and the Board being notified. The Chief Executive Officer of the Company may, at ~~his~~their discretion, refer any such applications for consideration by the Committee.
- 6.4.2 Pursuant to paragraph 6.3 above and without prejudice to the Committee's authority under paragraph 6.2 above, new membership applications may be approved by the Chief Executive Officer of the Company subject to the applicant meeting the criteria determined by the Committee (and endorsed by the Board) subject to the Committee being notified of any such approvals. If an applicant is rejected by the Chief Executive Officer of the Company, it may appeal to the Board. If, before coming to a decision, the Chief Executive Officer of the Company has particular concerns regarding the applicant, ~~he~~they may exceptionally refer such an application for consideration by the Committee.
- 7. NEW CLEARING ACTIVITY: NEW MARKETS AND CONTRACTS**
- 7.1 To consider the risk controls designed or adapted for the clearing of a new market (whether in the form of an exchange, or of a new product-specific OTC clearing service) or new class of instruments, and to recommend to the Board for approval.
- 7.2 To consider the risk controls designed or adapted for the clearing of a new contract proposed by a cleared exchange, or a new product type proposed for the Company's clearing service, and to recommend to the Board for approval.
- 7.3 To consider the risk controls designed or adapted for the continued clearing of

an exchange contract or OTC clearing service product whose proposed terms have been significantly modified, and to make a recommendation to the Board on the continuation of clearing.

7.4 To review, on an annual basis (or more frequently if deemed necessary), the risk policy on the eligibility of new products accepted for clearing, to consider proposals for the amendment of the policy, and, as appropriate, to recommend any changes to the Board.

7.5 To review, on an annual basis (or more frequently if deemed necessary), the policy containing the principles for managing the counterparty risk of other central counterparties with which an interoperability link has been established and, as appropriate, to recommend any changes to the Board.

7.6 Clarification of approvals of the Chief Executive Officer of the Company:

7.6.1 Pursuant to paragraph 7.2 above and without prejudice to the Committee's authority contained therein, approval for the clearing of new contracts or products which present no novel risk features and require no amendment of risk controls may be granted by the Chief Executive Officer of the Company, subject to the Committee being notified of any such approvals. The Chief Executive Officer may, at ~~his~~their discretion, refer any such applications for consideration by the Committee.

7.6.2 In cases where the proposal is that the Company should clear a potentially large number of new contracts or products, none of which present novel risk features, the proposal will be presented for Committee consideration because of the proposed scale of the extension of clearing. The Committee will make a recommendation to the Board for approval.

## 8. MARGINING

8.1 To consider proposals for significant amendments to, or the introduction of new, variation margin methodologies, and, as appropriate, to recommend any changes to the Board.

8.2 To review, on an annual basis (or more frequently if deemed necessary), the initial margin policies, consider amendments to the policies and, as appropriate, to recommend any changes to the Board.

- 8.3 To consider proposals for significant amendments to, or the introduction of new, initial margin methodologies, and, as appropriate, to recommend any changes to the Board.
- 8.4 To review, on an annual basis (or more frequently if deemed necessary), the company's intra-day calling policy, to consider proposals for the adoption of a new policy, and, as appropriate, to recommend any changes to the Board.
- 8.5 Clarification of powers of the Chief Executive Officer of the Company:
- 8.5.1 The establishment and regular review of initial margin parameters at contract level, the introduction of higher initial margin parameters or other financial requirements specific to a member or a group of members, and intra-day calls under the current policy.
- 8.6 Clarification of powers delegated to the Chief Risk Officer of the Company:
- 8.6.1 In the context of initial margin rate setting policies approved by the Committee and the Board, and with reference to the powers of the Chief Executive Officer of the Company in respect of initial margin rates, the Chief Risk Officer of the Company in ~~his~~[their](#) role as Director, Risk Management of the Company, shall ensure that any rate that does not directly flow from any of the policies is documented as exceptional treatment. The reason for such treatment must be either that a disproportionate and unrealistic margin rate would otherwise have been established or that application of the documented policy would lower a rate or rates at a time of significant volatility and run a high risk of rapid reversal. The Chief Risk Officer of the Company will ensure that the Committee is informed of such treatment in the case of major contracts as part of standard reporting of margin adequacy.

## 9. **DEFAULT FUND, DEFAULT RULES AND DEFAULT PROCEDURES**

- 9.1 To review quarterly, and on an *ad hoc* basis, as initiated by the Chief Risk Officer of the Company, the adequacy of the default funds of the Company (the **Default Funds**) on the basis of stress testing figures, and to recommend any change in the methodologies for sizing the Default Funds to the Board for approval. To review, on an annual basis (or more frequently if deemed necessary), the Default Fund policies and recommend any changes to these policies to the Board for approval.
- 9.2 To consider any adjustment to the stress testing model or the assumptions

used in the model and to recommend any changes to the Board.

- 9.3 To consider any proposals to adopt a new stress-testing model and to recommend to the Board for approval.
- 9.4 To consider any proposals for changes to the Default Rules and, as appropriate, make recommendations to the Board for approval.
- 9.5 To consider the default management policy for managing a default across individual and multiple product lines and to make recommendations to the Board for approval.
- 9.6 To consider as soon as possible after a member default, the default procedures taken and the continued adequacy of the Default Rules and, as appropriate, make recommendations to the Board.
- 9.7 The Committee will be notified of any significant amendments, additions or deletions to the stress testing scenarios. The Committee may also request new scenarios to be added to the stress testing model.
- 9.8 Clarification of powers of the Chief Executive Officer of the Company:
  - 9.8.1 Pursuant to paragraph 9.1 above, the periodic recalculation of the Default Fund size and contributions, the stress test parameters as well as the review of the cap and floor of the Default Fund where applied, within the scope of the policy approved by the Board.
  - 9.8.2 Pursuant to paragraph 9.5 above, default declaration and management are a Chief Executive Officer responsibility, subject to a commitment to notify the Board and convene a meeting of the Board if appropriate.

**10. PAYMENT AND MONEY SETTLEMENT ARRANGEMENTS, BANK EXPOSURES, LIQUIDITY RISK AND COLLATERAL POLICY**

- 10.1 To review, on an annual basis (or more frequently if deemed necessary), the Company's payment and money settlement arrangements and collateral custody arrangements, to consider proposals for modification of those arrangements and, as appropriate, to recommend changes to the Board.
- 10.2 To review, on an annual basis (or more frequently if deemed necessary), the Company's 'Investment Risk Policy' for setting bank limits and 'Liquidity Risk Policy' for determining liquidity needs, to consider proposals to change these

policies, and, as appropriate, to recommend any changes to the Board for approval.

10.3 To review, on an annual basis (or more frequently if deemed necessary), the Company's policy on acceptable forms of collateral contained within the Collateral Risk Policy together with the haircuts applied, to consider proposals to change these policies, and, as appropriate, to recommend any changes to the Board.

10.4 Clarification of discretion of the Chief Executive Officer of the Company:

10.4.1 Pursuant to paragraph 10.2 above, to decrease or remove investments or a counterparty's investment limits if there are concerns over the investment or counterparty for any reason.

10.4.2 To approve proposals for the periodic adjustment of exposure limits within the scope of the Credit Risk Management Framework approved by the Committee.

10.4.3 To change repo limits in line with the size of the cash portfolio to ensure that the assigned limits do not act as a constraint on securing the portfolio.

10.4.4 If any of the limits or restrictions detailed in the Collateral Risk Policy and/or the Investment Risk Policy are breached, that breach must be (i) notified to the Chief Risk Officer and Head of CaLM, (ii) signed off by either the Chief Risk Officer or the Head of CaLM and (iii) reported to the Committee, the ERCo, the Chief Executive Officers of the Company and of ~~the~~LCH Group and the Audit ~~Committees~~Committee of the Company ~~and of the Group~~.

## 11. OPERATIONAL RISK MANAGEMENT

11.1 To review, on an annual basis (or more frequently if deemed necessary), the Company's Operational Risk Policy and to consider proposals for modification of those arrangements and to make recommendations to the Board for approval.

11.2 On request by the Audit Committee or the Board to review and provide advice on any aspects of the Company's operational risk management framework.

- 11.3 To review a Detailed Operational Risk Assessment for all significant projects and new products as required under the Company's Operational Risk Policy and to make recommendations to the Board for approval.

## 12. REGULATORY ISSUES

- 12.1 To consider any risk policy-related regulatory issues referred to it, and to make recommendations to the Board.

- 12.2 To consider any issue relating to the outsourcing of functions which may impact the risk management of the CCP and to make recommendations to the Board for approval.

- 12.3 To ensure that the Company promptly reports to the relevant regulatory authorities of any decision in which the Board has rejected a recommendation of, or superseded an action by, the Committee, such report to contain at a minimum the following:

12.3.1 the Committee's recommendation or action, as applicable;

12.3.2 the rationale for such recommendation or action;

12.3.3 the rationale of the Board for rejecting such recommendation or superseding such action; and

12.3.4 the course of action the Board decided to take contrary to such recommendation or action.

- 12.4 The Committee Chairman, or his or her designee, will make available to the Chief Compliance Officer of the Company such information relating to the Committee's work as is necessary for the Chief Compliance Officer of the Company to draft and submit:

12.4.1 the Company's annual compliance report (i) to the [ACPACPR](#) as required under French law and regulation in force from time to time, (ii) ~~to the FSA, Treasury and OFT~~ as required under ~~UK~~[applicableUK](#) law and regulations in force from time to time, and (iii) to the CFTC as required under the CFTC Rules in force from time to time and any successor regulation; and

12.4.2 any other reports that the Chief Compliance Officer of the Company may from time to time be required to submit, pursuant to regulatory requirements.

It is noted that in the event that the Board does not follow a recommendation of the Committee the *Autorité de Contrôle Prudentiel et de résolution*, as the lead regulator of the Company, will be notified by the Company Secretary.

### 13. MISCELLANEOUS

- 13.1 To discharge any duties ascribed to the Committee in the Group risk policies reviewed by the Committee from time to time.
- 13.2 To consider any other matters as directed by the Board.
- 13.3 To hold joint meetings with the Risk ~~Committees~~Committee of LCH Ltd, ~~LCH LLC~~ and the Risk Committees of any other operating subsidiaries of ~~the~~LCH Group as there may be from time to time.

### 14. PUBLICATIONS

The Committee shall ensure that summaries of significant decisions implicating the public interest, including all decisions relating to (i) open access; (ii) membership; and (iii) the finding of products acceptable or not acceptable for clearing, including a description regarding whether the Board has rejected or superseded an action of the Committee, shall be made public on the Company's website in an up to date, clear and accurate manner.

### 15. REGULAR REPORTS

- 15.1 The Committee shall consider and review regular reports prepared by the Risk Management department of the Company which shall cover recent developments in at least the following areas:
  - 15.1.1 Membership (additions, deletions, extensions to business cleared, and other significant developments)
  - 15.1.2 Operation and adequacy of margin rate setting (back testing) and of the default fund (as revealed by the stress test results)

- 15.1.3 Operation of Liquidity Risk policy
- 15.1.4 Operation of Counterparty Credit Risk policy
- 15.1.5 Operation of Collateral Risk policy
- 15.1.6 Operation of Payment, Settlement and Custody Risk policy
- 15.1.7 Operation of Investment Risk Policy
- 15.1.8 Any other material issues which have arisen during the previous three months for any risk policy or its implementation
- 15.1.9 Review at least annually risk tolerance limits and the associated warning thresholds (including policies and procedures containing these metrics)
- 15.1.10 Review at least annually the specific / formal sign-off of exceptions to Group policies

## 16. CONFIDENTIALITY AND CONFLICTS OF INTEREST

- 16.1 Without prejudice to any rights ~~LSEG may have in the Relationship Agreement between the Company and LSEG~~ of LSEG or its representatives under these Terms of Reference, all confidential matters considered by the Committee and any confidential information disclosed to members of the Committee in connection with their position as a member of the Committee must remain confidential, notwithstanding the company to which that information relates, nor whether the member is a director of that company or not, save as required to be disclosed by law or regulation. Any other persons (with the sole exception of competent regulatory authorities) involved in the Committee's work shall either be bound by undertakings of professional secrecy or by ad hoc confidentiality agreements with the Committee.
- 16.2 Conflicts of interest relating to Committee members shall be governed by the relevant provisions in the règlement intérieur of the Company from time to time and those relevant provisions shall apply to the External Committee Members as if they were directors of the Company.

## 17. HARMONISATION WITH LCH LTD ~~AND/OR LCH LLC~~

- 17.1 To review any proposals for harmonisation of policies or procedures between the Company, LCH Ltd, ~~LCH LLC~~ and any other operating subsidiaries of ~~the~~LCH Group as there may be from time to time, having regard to local law or regulatory requirements and liquidity characteristics of the relevant entity in the Group, and, as appropriate, to recommend any changes to the Board.
- 17.2 In the event that the Risk Committees of the Company, LCH Ltd, ~~LCH LLC~~ and any other operating subsidiaries of ~~the~~LCH Group as there may be from time to time cannot agree on the harmonisation issues, the Board of ~~the~~LCH Group and the Board of the relevant operating subsidiary together are responsible for the final decision.

## **18. RELATIONSHIP WITH THE COMPANY'S AUDIT COMMITTEE**

- 18.1 Internal audits, external audits, investigations and reviews carried out under the auspices of (and contained in the relevant regular reporting to) the Company's Audit Committee will cover those departments and teams executing the policies and methodologies set by the Risk Committee.

## **19. AUTHORITY**

- 19.1 The Committee is authorised to: (i) investigate any activity relating to these Terms of Reference; (ii) seek any information it requires from any employee of the Company in order to perform its duties; (iii) call any employee to be questioned at a Committee meeting as and when required; and (iv) obtain at the Company's expense, outside legal or other professional advice on any matter within its Terms of Reference.
- 19.2 In particular, the Committee shall have access to: (i) the risk management department (to assess how the remuneration structure affects the risk profile of the Company); (ii) the human resource department; (iii) the compliance department (to ensure legal and regulatory changes are properly implemented); and (iv) the internal audit department (who shall periodically carry out and report to the Committee on an independent audit of the design, implementation and effects of the remuneration structure).

## **20. OTHER**

- 20.1 Notwithstanding any other provision set out herein, the Committee is solely accountable to, and reports solely to, the Board of the Company. Without limiting the foregoing, no decisions made by the Committee under paragraph 6 (*Membership*) or paragraph 7 (*New Clearing Activity: New Markets and*

*Contracts*) may be restricted or otherwise limited by any body other than the Board of the Company.

- 20.2 Every member of the Committee shall be given a copy of these Terms of Reference.
- 20.3 The Committee, in particular the Independent Directors, shall be provided with appropriate and timely training, both as an induction process and on an ongoing basis, and provided with access to external consultancy support, when required.
- 20.4 The Committee shall arrange for periodic reviews of its own performance and, at least annually, shall arrange for independent internal review of its constitution and these Terms of Reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
- 20.5 [Subject to paragraph 20.6, these Terms of Reference may be amended only with approval of the Board.](#)
- 20.6 [Paragraphs 1.2.6, 1.4, 16.1 and this paragraph 20.6 of these Terms of Reference may be amended only with approval of the Board and the consent of LSEG.](#)

**APPENDIX I**

## Rotation of voting rights Among Users

A number of Risk Experts who attend the Risk Committee fulfil the criteria of Users. The voting rights of the Risk Committee are rotated between the Risk Experts on a regular basis (at least once a year), so as to ensure compliance with the quorum requirements set out in Clause 1.1 of the Terms of Reference.

The following criteria are applied by the Board when rotating the voting rights of the Risk Committee:

1. Expertise in matters of risk;
2. Length of service on the Risk Committee;
3. Attendance at Risk Committee meetings; and
4. The Chairman of the Risk Committee being satisfied that the membership of Users on the Risk Committee is an appropriate representation of the clearing members as a whole.

**EXHIBIT 5D**

**LCH SA**  
(the *Company*)

**TERMS OF REFERENCE OF THE AUDIT  
COMMITTEE OF THE BOARD OF  
DIRECTORS**

Adopted by the board of directors on ~~9 December 2019~~ [\[●\]](#)

**1. PURPOSE**

- 1.1 The Audit Committee (the *Committee*) shall be appointed by the Board of Directors of the Company (the *Board*) and shall represent the interests of the Board in the sound financial management and internal control management of the Company.
- 1.2 The Committee shall determine whether management has put in place adequate internal control systems that provide reasonable assurance that corporate objectives will be achieved and that the Company complies with applicable regulatory requirements, in force from time to time.
- 1.3 The Committee shall assist the Board in fulfilling its responsibility relating to:
  - 1.3.1 Review of the Company's audited financial statements;
  - 1.3.2 Review of the external ~~auditor~~[auditors](#) appointed by the Company (the *External Auditor*[Auditors](#));
  - 1.3.3 Review of the Company's internal audit function;
  - 1.3.4 Review of the Company's regulatory compliance;
  - 1.3.5 Review the Company's compliance with its risk governance framework, review of the Enterprise Risk report;

- 1.3.6 Review of the Company's internal control environment; including through review of Resilience Risk matters.
- 1.4 The Committee shall keep itself informed of any changes in the laws and regulations applicable to the audit policy of the Company and the matters for which the Committee is responsible.
- 1.5 Nothing in these Terms of Reference shall diminish the responsibility of the Board to maintain ongoing review of the Company's audit policy.

## 2. STRUCTURE AND MEMBERSHIP

### 2.1 Composition

- 2.1.1 The Committee shall comprise no fewer than four non-executive directors of the Board, of which:
- (a) no fewer than three shall be independent non-executive directors of the Board, each of whom has been appointed in accordance with, and satisfies the criteria for independence set out in, the terms of reference of the ~~LCH Group Holdings Limited Company's~~ nomination committee (the **Independent Directors**) and one of such Independent Directors shall be appointed chairman of the Committee (the **Committee Chairman**);
  - (b) one shall be a member of the Risk Committee of LCH SA;
  - (c) one shall be a director associated with or connected to LCH Group Holdings Limited shareholders other than exchanges, trading venues, multilateral trading facilities, alternative trading systems or similar (**User Director**); and
  - (d) ~~for so long as one shall be a director recommended or approved by London Stock Exchange Group plc (LSEG) is entitled to exercise or control the exercise of at least 20 per cent. of the votes able to be cast on all or substantially all matters at general meetings of LCH Group Holdings Limited (Material Interest), one shall be a director recommended or approved by~~

~~LSEG (the **LSEG Director**) (or, following the appointment of one independent non-executive director to the Board of LCH Group Holdings Limited by LSEG pursuant to Clause 10.10 of the Relationship Agreement between the Company and LSEG (**RA**), the LSEG chief financial officer, the LSEG chief risk officer or the LSEG head of audit, or any other person of appropriate seniority and expertise as may be agreed from time to time between LSEG and the Chairman of the Board (the **LSEG Audit Representative**)).~~ (the **LSEG Director**).

- (e) For so long as Euronext is entitled to have a representative at the LCH SA Audit Committee in accordance with the Derivatives Clearing Agreement (**DCA**) entered into by LCH SA, LCH Group Holdings Limited and the Euronext market undertakings, one shall be a director associated with and recommended by Euronext.

- 2.1.2 Members of the Committee shall ideally have significant, recent and relevant financial experience, either by virtue of their experience in the senior executive or non-executive management or regulation of another financial institution, or as an auditor or finance director (or holding that responsibility) within a different company. At least one Committee member should have a professional qualification from one of the professional accountancy bodies.

## 2.2 Selection and Removal

- 2.2.1 Subject to paragraph 2.1.1(d), members of the Committee shall be selected and appointed by the Board at any time in consultation with the Committee Chairman.
- 2.2.2 Subject to paragraph 2.1.1(d), the Board may remove members of the Committee with or without cause.

## 2.3 Committee Chairman

- 2.3.1 The Board normally elects the Committee Chairman. On an exceptional basis and in the absence of the appointed Committee Chairman, the Committee shall elect a substitute Committee Chairman from amongst

its ranks by majority vote.

- 2.3.2 For the avoidance of doubt, the Committee Chairman may also be appointed as Chairman to the audit ~~committees~~committee of LCH Limited, ~~LCH Group Holdings Limited and/or LCH LLC.~~
- 2.3.3 The Committee Chairman will keep the Committee's composition under review and shall make proposals to the Board accordingly.

## 2.4 Secretary

- 2.4.1 The secretary to the Committee (the **Committee Secretary**) shall be the Company secretary or such other person as ~~he~~they may nominate.
- 2.4.2 The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required and, where deemed necessary or appropriate, to professional advisors.

## 2.5 Notice of Meetings

- 2.5.1 Notice of meetings shall be given by the Committee Chairman, or the Committee Secretary at the request of the Committee Chairman.
- 2.5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required or permitted to attend prior to the date of the meeting in a timely manner. Supporting papers shall be sent to Committee members, and to other attendees as appropriate, at the same time.

## 2.6 Frequency of meetings and location

The Committee shall meet as frequently as it determines necessary, but not less frequently than three times per year and otherwise as required. Other than in exceptional circumstances, all meetings shall be held in one of the registered offices of the Group entities. The Committee Chairman, or any

other member of the Committee, may call meetings of the Committee. The External ~~Auditor~~Auditors may request a special meeting at any time.

## 2.7 Attendance

2.7.1 Only members of the Committee have the right to attend Committee meetings.

2.7.2 Members of the Company's executive, the Head of Internal Audit of the Company and representatives of the External ~~Auditor~~Auditors may attend the meetings by invitation as and when appropriate and necessary, in accordance with items on the agenda.

2.7.3 Members of the Committee may hold meetings in person, by telephone or by video conferences.

## 2.8 Quorum

The quorum for meetings shall be (i) the Committee Chairman, (ii) the User Director, (iii) ~~for so long as LSEG holds a Material Interest in the Company, the LSEG Director or, following the appointment of one independent non-executive director to the Board of LCH Group Holdings Limited pursuant to Clause 10.10 of the RA, other LSEG Audit Representative~~the LSEG Director and (iv) one other member of the Committee. Two of the directors present shall be Independent Directors and one shall have recent and relevant financial experience. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

## 2.9 Conduct of Meetings

Except as outlined above, meetings of the Committee shall be conducted in accordance with the provisions of the Company's articles of association governing the proceedings of directors.

## 2.10 Remuneration

The remuneration of Committee members shall be as determined by the Board. No member of the Committee may receive any consulting, performance, advisory or other compensatory fee from the Company other than fees paid in his or her capacity as a member of the Board or as a member of a Committee of the Board.

### 3. AUTHORITY AND RESPONSIBILITIES

- 3.1 The Committee's role is one of review. The authority and responsibilities set forth do not reflect nor create any duty or obligation of the Committee to (i) plan or conduct any audit, although the Committee is responsible for agreeing the programme of audits proposed by the Internal Audit department and challenging the outcome of the audits, as appropriate, (ii) determine or certify that the Company's financial statements are complete, accurate, fairly presented, or in accordance with generally accepted accounting principles or applicable law, or (iii) guarantee ~~the~~each External Auditor's report.
- 3.2 The Committee may hold joint sessions of meetings with the audit ~~committees of LCH Group Holdings Limited and~~committee of LCH Limited from time to time as appropriate. All directors remain equally responsible for the affairs of the Company of which they are a director, as a matter of law.
- 3.3 The Committee shall perform the following specific functions:

#### 3.3.1 *Review of the Company's Financial Statements*

The Committee shall review, discuss with and challenge where necessary the Company's management and the External ~~Auditor~~Auditors with regard to the Company's audited financial statements and any other formal announcement relating to its financial performance, before their approval by the Board, notably concerning:

- (a) Compliance with accounting standards, policies, practices, legal requirements as well as any changes;
- (b) Major judgmental areas;

- (c) Any significant adjustments arising from the audit;
- (d) The "going-concern" assumption;
- (e) The proposed statement on the directors' review of the Company's system of internal control;
- (f) Other material written communication between the External ~~Auditor~~Auditors and Company management.

### 3.3.2 Review of the External ~~Auditor~~Auditors

- (a) *Selection.* The Committee shall be responsible for making recommendations to the Board concerning the appointment, evaluation and termination of the engagement of the External ~~Auditor~~Auditors for the Company, taking into account the auditor appointed by LSEG in respect of the wider LSEG group. The Committee shall oversee the selection process for ~~any~~ new External Auditor and if an External Auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required.
- (b) *Independence.* The Committee shall take, or recommend that the Board take, appropriate action to oversee the independence of the External ~~Auditor~~Auditors. The Committee shall actively engage in dialogue with the External ~~Auditor~~Auditors concerning any disclosed relationships or services that might impact upon the objectivity and independence of the External ~~Auditor~~Auditors. It is the general policy of the Company that the currently engaged External ~~Auditor~~Auditors will not be asked to tender for any non-audit services with the exception of tax advice directly related to the Company's existing business.
- (c) *Services and Compensation.* The Committee shall discuss with the External ~~Auditor~~Auditors ~~his~~their proposals regarding the nature, scope and planning of ~~his~~their work and to ensure proper co-ordination with internal audits planned by the Company's Internal Audit department. The Committee shall review from time to time the operational, control and cost effectiveness of the External

~~Auditor~~Auditors.

- (d) *Review.* The Committee shall have ultimate responsibility for overseeing the External ~~Auditor~~Auditors, including resolution of disagreements between Company management and the External ~~Auditor~~Auditors regarding financial reporting. It shall ensure that the External ~~Auditor~~Auditors have the fullest co-operation of staff.
- (e) *Access.* The Committee has the right to have direct access to the Company's External ~~Auditor~~Auditors on a confidential basis at any time. It shall meet the External ~~Auditor~~Auditors without executives of the Company being present at least once a year.
- (f) *Former Employees.* The Committee shall agree with the Board a policy on the employment of former employees of the External ~~Auditor~~Auditors, then monitoring the implementation of this policy.
- (g) *Ethical Standards.* The Committee shall monitor the External ~~Auditor~~Auditors's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements.
- (h) *Qualifications.* The Committee shall assess annually the qualifications, expertise and resources of the External ~~Auditor~~Auditors and the effectiveness of the audit process, which shall include a report from ~~the~~each External Auditor on their own internal quality procedures.
- (i) *Co-ordination.* The Committee shall seek to ensure co-ordination with the activities of the internal audit function.
- (j) *Reports.* The Committee shall review with ~~the~~each External Auditor:
  - (i) the final audit;

- (ii) any matters the External Auditor may wish to discuss;
- (iii) any representation letters required by the External Auditor before they are signed by management;
- (iv) the management letter and the responses from management; and
- (v) compliance with any codes of conduct of corporate governance applicable from time to time or which the Board otherwise determines should be complied with to achieve best practice corporate governance standards.

### 3.3.3 *Review of the Company's Internal Audit Function*

The Committee shall regularly review the functioning of the Internal Audit department, notably concerning:

- (a) *Internal Audit Charter.* The Committee shall review from time to time, and no less frequently than once every three years, the Internal Audit Charter of the Company.
- (b) *Audit Planning.* The Committee shall review the annual audit plan prepared by the Internal Audit department after approval by the CEO of the Company and ahead of ~~annual~~any submission to the Company's regulator, on the request of such regulator. In doing so, the Committee shall determine whether the audit programme provides appropriate coverage and may request any special tasks or projects to be included in the plan. The Committee shall also ensure that the plan is effectively coordinated with the External Auditor and shall respond to any requests from the LCH Group Audit Committee to vary the internal audit programme of work, under the supervision of, and subject to the approval of the Board Auditors.
- (c) *Quality and Effectiveness.* The Committee shall monitor the quality and effectiveness of the Internal Audit department. An external review of Internal Audit will be conducted at least every five years.

The Committee Chairman shall provide an annual appraisal of the Head of Internal Audit.

- (d) *Reporting line.* The Chairman of the Company shall, with the assistance of the advice and recommendations of the Committee, approve the appointment or termination of employment of the Head of Internal Audit of the Company and keep under review the reporting line to ensure independent operation of the department. In the event of an unresolved dispute between the executive and Internal Audit, or in respect of any matter ~~he deems as being necessary~~, the Head of Internal Audit of the Company deems as being necessary, to the extent such position exists within the Company from time to time, he or she has the absolute right to report directly to the Committee Chairman or any Committee member.
- (e) *Resources.* The Committee shall monitor the adequacy of resources within the Internal Audit department.
- (f) *Reporting.* The Head of Internal Audit shall report directly to the Committee Chairman (as well as, where appropriate, the Chairman of the Board). The Committee shall agree and receive regular reporting from the Internal Audit department including coverage of completed audit assignments, follow up of issues and planned progress. It shall meet the Head of Internal Audit of the Company regularly, and at least once a year without executives of the Company being present.

#### 3.3.4 *Review of the Company's regulatory compliance*

The Committee shall:

- (a) review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up actions;

- (b) review the Company's procedures for detecting and preventing financial crime including fraud, bribery and money-laundering;
- (c) discuss with management and the External ~~Auditor~~Auditors any correspondence with regulators, which raise material issues regarding the Company's financial statements, accounting policies and/or internal control system;
- (d) monitor the Company's procedures for ensuring compliance with regulatory reporting requirements and its relationship with the relevant regulatory authorities;
- (e) review the performance of the Company's Chief Compliance Officer and make recommendations with respect to such performance to the Board; and
- (f) discuss legal matters that may have a material impact on the financial statements or on the Company's compliance policies.

3.3.5 *Review of the Company's Risk Management Framework*

- (a) Review the process for the annual validations of the Company's risk management models;
- (b) Review breaches of the Company's Risk Governance Framework, as approved by the Board; and
- (c) Commission and review audit reports relating to the risk management of the Company.

3.3.6 *Review of the Company's Internal Control Environment*

- (a) *Internal Control.* The Committee shall:
  - (i) keep under review the Company's framework of internal controls and make recommendations for change to the Board;

- (ii) consider internal reports on the operation of controls and the proposals for implementation of change and strengthening;
  - (iii) receive annually reports as required by Articles 258 to 266 of the Order of 3 November 2014 on the internal control of banking sector companies, payment services and investment services
  - (iv) review at least once a year the provisions for business continuity and disaster recovery and the assessment of the effectiveness of the arrangements in place;
  - (v) review at least once a year the measures taken to control outsourced activities and any risks the Company may incur; and
  - (vi) determine whether the risk internal control and compliance resources are adequate and whether such controls and monitoring have appropriate standing within the Company.
- (b) *Issues.* The Committee shall consider any major findings, and management response(s) arising from internal audits, external audits, management reporting and internal investigations, and any other reviews carried out (including recommendations from regulatory authorities) and take appropriate actions, which include escalating issues to the Board where appropriate.

3.3.7 *Coordination with the ~~Group Audit Committee and SA~~ Risk Committee*

~~(a) — The work of the Committee is complementary to that of the audit committee of LCH Group Holdings Limited. It will be that Committee's responsibility to consider Group level issues.~~

~~(b) —~~ Internal audits, external audits, investigations and reviews carried out under the auspices of (and contained in the

relevant reporting to) the Committee will include control areas responsible for executing the policies and methodologies set by the Company's Risk Committee.

3.3.8 ~~Other Subjects~~ Coordination with the Technology, Security and Resilience Committee

The Committee shall coordinate with the Technology, Security and Resilience Committee as may be required from time to time in connection with its functions and to fulfil its responsibilities.

3.3.9 ~~(a) Board Direction-~~

The Committee shall consider any other matters as directed by the Board.

**4. PROVISIONS FOR ACCESS**

**4.1 Access to Management**

The Committee shall have full and unrestricted access to the Company's management and employees, and to the Company's Internal and External ~~Auditor~~ Auditors. All employees are directed to co-operate with any requests made by the Committee.

**4.2 Access to Outside Advisers**

The Committee is authorised by the Board, at its discretion, to obtain independent professional advice and to secure the assistance of outsiders with relevant expertise. This shall apply both to the Committee as a whole and to individual Committee members. Costs relating to the provision of advice shall be borne by the Company.

**4.3 Access to Company Information**

The Committee shall have full and unrestricted access to (i) any systems or facilities of the Company and of the LCH group (the **Group**) and (ii) any books, records or other data it requires from the Company and from the Group in order to carry out its functions.

## 5. REPORTING

- 5.1 *Minutes / Agenda.* The Committee Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance. ~~Minutes of Committee meetings, and such minutes~~ shall be ~~circulated promptly to all members of~~presented to the Committee ~~and, once agreed, to all members of the Board unless it would be inappropriate to do so~~for approval at the next following meeting.

### *Board Reporting*

- 5.2 The Committee Chairman shall report the Committee's discussions, decisions and recommendations to the Board, which shall decide on an appropriate policy response.
- 5.3 The Committee shall have no executive powers with respect to those findings and recommendations.
- 5.4 The Committee shall ensure that the Board is regularly informed of the adequacy of key control systems in the financial, operational and compliance-related areas.

### *Annual Reports*

- 5.5 The Committee Chairman, or his or her designee, will make available to the Chief Compliance Officer of the Company such information relating to the Committee's work as is necessary for the Chief Compliance Officer of the Company to draft and submit the annual compliance reports required by applicable regulations in force from time to time.

- 5.6 Where requested by the Board, the Committee should provide advice on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

*Provision of information to LSEG*

- 5.7 The Chairman of the Committee shall liaise regularly with the chairman of the audit committee of LSEG with a view to assisting LSEG in fulfilling its own audit requirements, including with respect to the information set out at paragraph 3.3.1 above and as referred to in paragraph 5.8 below.
- 5.8 The Committee shall have regard for ~~LCH Group Holdings Limited's obligations under the RA to provide information to LSEG, in particular under clause 21 of the RA and in particular with regard to~~ LSEG's status as a listed issuer required to comply with the UK Corporate Governance Code.

**6. EDUCATION, TRAINING AND COMPETENCE**

- 6.1 An induction programme shall be provided for new Committee members. This shall cover the role of the Committee, including its Terms of Reference and expected time commitment by members and an overview of the Company's business, identifying the main business and financial dynamics and risks.
- 6.2 The Committee shall be provided with appropriate and timely training, both as an induction process and on an ongoing basis, and provided with access to external consultancy support, when required.
- 6.3 Induction and training may be provided on a joint basis with ~~all or any of~~ the audit ~~committees of LCH Group Holdings Limited and~~ committee of LCH Limited.

**7. CONFIDENTIALITY AND CONFLICTS OF INTEREST**

- 7.1 Without prejudice to any rights ~~LSEG may have in the RA of LSEG or its~~ representatives under these Terms of Reference, all confidential matters considered by the Committee and any confidential information disclosed to members of the Committee in connection with their position as a member of

the Committee must remain confidential, notwithstanding the company to which that information relates, nor whether the member is a director of that company or not, save as required to be disclosed by law or regulation. Any other persons involved in the Committee's work shall either be bound by undertakings of professional secrecy or by ad hoc confidentiality agreements with the Committee.

- 7.2 Conflicts of interest relating to Committee members shall be governed by the relevant provisions in the Règlement Intérieur of the Company from time to time.
- 7.3 Any disagreement within the Board, including disagreement between the Committee's members and the rest of the Board, should be resolved at Board level. Where disagreements between the Committee and the Board cannot be resolved, the Committee will report the issue ~~through the Audit Committee of LCH Group Holdings Limited~~ to the Board of LCH Group Holdings Limited.

8. ~~ANNUAL EVALUATION AND TERMS OF REFERENCE REVIEW~~ AMENDMENT

~~The Committee shall arrange for periodic reviews of its own performance and, at least annually, shall arrange for independent internal review of its constitution and~~

- 8.1 Subject to paragraph 8.2, these Terms of Reference ~~to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for~~ may only be amended with the approval of the Board.
- 8.2 Paragraphs 2.1(d), 2.8, 5.7, 5.8, 7.1 and this paragraph 8.2 of these Terms of Reference may be amended only with approval of the Board and the consent of LSEG.

**EXHIBIT 5E****LCH SA**  
(the *Company*)**TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE OF THE  
BOARD OF DIRECTORS**

Adopted by the board of directors on ~~27 February 2019~~[\[.\]](#)

**1. DUTIES AND POWERS OF THE COMMITTEE**

- 1.1 The Remuneration Committee (the *Committee*) is a committee of the board of directors of the Company (the *Board*). The Board shall approve the remuneration packages which relate to its employees, based on the recommendations of the Committee.
- 1.2 The Committee should carry out the following duties for the Company:

***Broad Remuneration Policy***

- 1.2.1 determine the broad remuneration policy and principles for the Company, the ~~Executive Management~~[Specified Executives](#) (defined below) and the chairman of the Board in the context of the Group as a whole taking into account all factors which it deems necessary, including the remuneration policy and principles applied by the remuneration committee of LCH ~~Group Holdings Limited (LCH Group)~~ and the remuneration committee of London Stock Exchange Group plc (*LSEG*) for its executive management, for approval by the Board;
- 1.2.2 the objective of such policy and principles shall be to ensure that (i) such policies are aligned with the risk tolerance and corporate strategy of the Company, (ii) ~~Executive Management~~[Specified Executives](#), and employees of the Company (as relevant), are provided with appropriate incentives to encourage enhanced performance with a particular focus on risk management as the core purpose of the Company and (iii) such ~~members of Executive Management~~[Specified Executives](#) and employees of the Company are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company;

- 1.2.3 review annually the ongoing appropriateness and relevance of such policy and principles, including testing how the policy will react to future external and internal events;
- 1.2.4 if, and to the extent that, any remuneration policy or proposal includes long term or other incentive or bonus plans which involve the issue of, or the creation of rights over, the shares of LSEG (**LSEG Shares**), or are otherwise linked to the price or market performance of LSEG Shares, ensure that such plans are subject to the approval of LSEG's remuneration committee;

### **Individual Remuneration**

subject to paragraph 1.2.9, within the terms of the remuneration policy and in consultation with the chairman and/or chief executive, as appropriate, determine the total individual remuneration package of the ~~{executive directors of the Company}, the members of the Executive Committee of the Group, who are employed by the Company,~~CEO (as defined below), the chief risk officer and the chief compliance officer and any other senior ~~executive personnel~~executive personnel designated by any of the Board from time to time, including any personnel with an annual remuneration package of more than €1,000,000 or equivalent (together, ~~Executive Management~~Specified Executives), and the chairman of the Board;<sup>1</sup>

- 1.2.5 when setting remuneration policy for any relevant person, review and have regard to the remuneration trends across Group and the companies owned by LCH Group ~~(Holdings Limited (LCH Group and together with its subsidiaries, the Group)~~ as a whole and within LSEG;
- 1.2.6 ensure that contractual terms upon recruitment and upon termination, and any payments made, are fair to the individual and the Company;

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<sup>1</sup>The remuneration (if any) of the non-executive directors (other than the chairman of the Company) shall be a matter for the Board (excluding the non-executive directors), provided that the compensation of such non-executive directors shall not be linked to the business performance of the Group. No person shall be involved in any decisions as to their own remuneration

- 1.2.7 when determining remuneration for personnel engaged in risk management, compliance and internal audit, ensure that they are compensated in a manner that is independent of the business performance of the Company and that the level of remuneration is adequate in terms of responsibility as well as in comparison to the level of remuneration in the business areas;
- 1.2.8 when making any change in the remuneration (including salary, bonus and long term incentives) of either the Chief Executive Officer of the Company (the **CEO**), ~~any other member of the Executive Committee of the Group, who is employed by the Company or with a recruitment or termination package of more than €1,000,000 or equivalent~~ or any Specified Executive ensure that the following procedure shall be followed:
- (a) ~~the chief executive officer of Group and the LSEG chief executive officer shall agree and propose a joint~~ in consultation with the LCH Group CEO, the Committee shall make a recommendation to the ~~Committee in the case of the remuneration of the CEO or of any personnel with an annual remuneration package of more than~~ Board of the Company for approval;  
~~€1,000,000 or equivalent;~~
- ~~(b) following receipt by the Committee of such a joint recommendation, the Committee shall discuss the recommendation with the relevant recommending persons and, having considered the proposal and made any changes considered appropriate (having obtained the approval of the relevant recommending persons for any significant changes), the Committee shall recommend the proposal for approval to the Board of the Company;~~
- (b) ~~(c)~~ once approved by the Board of the Company, the proposal shall be shared with LSEG's remuneration committee for its approval before it is implemented;
- (c) ~~(d)~~ in the event that LSEG's remuneration committee does not approve the proposal, the proposal shall be revisited by the

~~relevant recommending persons and reviewed with the~~ Committee, which shall submit a revised proposal to the Board of the Company for approval and then to LSEG's remuneration committee for its approval;

(d) in the event that LSEG's remuneration committee does not approve the revised proposal, the ~~chairman of the LCH~~ Group ~~remuneration committee~~ CEO shall over the following 10 business days mediate between the Committee and the LSEG remuneration committee with the objective of reaching agreement on a final revised proposal. Following the end of this mediation process, the Committee shall recommend a final revised proposal for approval to the Board of the Company.;

1.2.9 review annually the ongoing appropriateness of any individual remuneration.

#### ***Benefits/incentives***

1.2.10 ~~1.2.10~~ review for approval by the Board the design of, all incentive plans and performance related pay schemes of the Company ~~which shall be set in accordance with the policies and reward framework set by the Group, for approval by the Board, including performance targets to be used, designed by and received from the LSEG remuneration committee.~~ For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards (e.g. the "total bonus pool"), ~~approve the performance targets to be used,~~ and determine the individual awards to any ~~member of Executive Management~~ Specified Executives;

1.2.11 ~~1.2.11~~ determine the policy for, and scope of, pension arrangements for the Company and for each ~~member of~~ Specified Executive ~~Management~~;

1.2.12 ~~1.2.12~~ oversee any major changes in employee benefits structures of the Company;

~~1.2.13 agree the policy for authorising claims for expenses from the directors;~~

#### ***Peer review/consultants***

- 1.2.13 obtain reliable, up-to-date information about remuneration in other companies. To help it fulfil its obligations the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary, within any budgetary restraints imposed by the Board and having regard to the approach of the LCH Group as a whole;
  - 1.2.14 if requested by the Board, obtain and provide the Board with reliable, up-to-date information about remuneration of non-executive directors in other companies and make recommendations to assist the Board (excluding the non-executive directors) in its determination of the remuneration of the non-executive directors; and
  - 1.2.15 be exclusively responsible for approving the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.
- 1.3 In exercising its duties and powers, the Committee shall be mindful of its obligation to:
- 1.3.1 implement and maintain a remuneration policy which promotes sound and effective risk management and which does not create incentives to relax risk standards;
  - 1.3.2 ensure that the remuneration policy and pension policy of the Company is maintained in line with the business strategy, objectives, values and long-term interests of the Company's stakeholders; and
  - 1.3.3 ~~operate in accordance with the terms set out in clause 12 of the relationship agreement between inter alia LCH Group and LSEG (the RA), as amended from time to time, including liaising~~ liaise with LSEG on a regular basis and in any case prior to changing the remuneration (including salary, bonus and long term incentives) of the CEO, ~~other members of the Executive Committee of the Group who are employed by the Company, or of any personnel with a recruitment or termination package of more than €1,000,000 or equivalent~~ and other Specified Executives.
- 1.4 The chairman of the Committee (the **Committee Chairman**) and the ~~chairman of the~~ LCH Group ~~Committee~~ CEO shall consult with each other on a regular

basis in respect of the broad policies and principles applicable to the remuneration of their respective directors and employees.

15 The Committee will consult from time to time with the remuneration committee of LSEG and the remuneration committee of LCH Limited to ensure that there is a coordinated approach to the remuneration of directors on the Board and the board of directors of LCH Limited.

16 ~~15~~ The Committee shall keep itself informed of any changes in the laws and regulations applicable to the ~~Group~~Company's remuneration policy and the matters for which the Committee is responsible, and shall take these into account in determining remuneration policy.

17 ~~16~~ Nothing in these Terms of Reference shall diminish the responsibility of the Board of the Company to maintain ongoing oversight of the Company's remuneration policy.

## 2. COMPOSITION OF THE COMMITTEE

2.1 The Committee shall comprise at least four members, the majority of whom shall be independent non-executive directors of the Board of the Company, each of whom has been appointed in accordance with, and satisfies the criteria for independence set out in, the terms of reference of the ~~LCH.Cleantec~~Group~~Company's~~ Nomination Committee (the *Independent Directors*). The Chairman of the Board of the Company may also serve on the Committee as an additional member if he or she was considered independent on appointment as chairman. Members of the Committee shall be appointed by the Board of the Company, in consultation with the Committee Chairman.

2.2 ~~For so long as LSEG is entitled to exercise or control the exercise of at least 5 per cent of the votes able to be cast on all or substantially all matters at general meetings in Group,~~ LSEG shall be entitled to appoint one representative (who is a director appointed to the Board of the Company by LSEG) to the Committee.

23 The LCH Group CEO shall be entitled to attend meetings of the Committee as an observer.

24 ~~23~~ The Committee Chairman, who shall be an Independent Director, shall be appointed by the Board of the Company. In the absence of the Committee

Chairman and/or an appointed deputy at any meeting, the remaining members present shall elect one of themselves to chair the meeting. The chairman of the Board of the Company shall not be the Committee Chairman.

2.5 ~~2.4~~ Appointments to the Committee are made by the Board of the Company and shall be for a period of three years, which may be extended for further periods of up to three- years, provided the director still meets the criteria for membership of the Committee.

2.6 ~~2.5~~ The Committee Chairman will keep the Committee's composition under review, and shall make proposals to the Board of the Company accordingly.

### **3. SECRETARY**

The person responsible for the Company's secretariat shall be secretary of the Committee (the *Committee Secretary*)

### **4. TIMING OF MEETINGS**

The Committee shall meet at least twice a year and additional meetings shall be arranged as necessary in order to fulfil the duties of the Committee.

### **5. NOTICE OF MEETINGS**

5.1 Notice of meetings shall be given by the Committee Chairman, or the Committee Secretary at the request of the Committee Chairman.

5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend prior to the date of the meeting in a timely manner. Supporting papers shall be sent to Committee members, and to other attendees as appropriate, at the same time.

### **6. ATTENDANCE AT MEETINGS**

6.1 Only members of the Committee have the right to attend Committee meetings. Other individuals, such as appropriate senior employees and/or external advisers, may attend all or part of any meeting, as and when appropriate, at the invitation of the Committee Chairman.

- 6.2 Members of the Committee may hold meetings in person, by telephone or by video conferences.

## 7. QUORUM

The quorum for meetings shall be two members of the Committee, at least one of whom should be independent. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

## 8. CONDUCT OF MEETINGS

Except as outlined above, meetings of the Committee shall be conducted in accordance with the provisions of the Company's articles of association and *reglement interieur* governing the proceedings of directors.

## 9. MINUTES OF MEETINGS

~~9.1~~ The Committee Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance, and such minutes shall be presented to the Committee for approval at the next following meeting.

~~9.2~~ Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board unless it would be inappropriate to do so.

## 10. AMENDMENT

- 10.1 Subject to paragraph ~~10.2~~, 10.2, these Terms of Reference may be amended only with approval of the Board.

10.2 ~~10.2~~ Paragraphs ~~1.2.1, 1.2.4, 1.2.6, 1.2.9, 1.2.10, 1.3.3, 1.4, 2.2,~~ Paragraphs 1.2.1, 1.2.4, 1.2.6, 1.2.9, 1.2.10, 1.3.3, 1.5, 2.2, 12.1 and this paragraph 10.2 ~~and 14.4~~ of these Terms of Reference may be amended only with approval of the Board and ~~(for so long as LSEG is entitled to exercise or control the exercise of at least 40 per cent of the votes able to be cast on all or substantially all matters at general meetings in Group and only to the extent that LSEG's rights or interests in those paragraphs are being amended)~~ the consent of LSEG.

**11. REPORTING**

- 11.1 The Committee Chairman shall report to the Board on the discussions, decisions and recommendations of the Committee. ~~11.2~~

**12. CONFIDENTIALITY AND CONFLICTS OF INTEREST**

- 12.1 Without prejudice to any rights LSEG ~~may have in the RA~~ or its representatives under these Terms of Reference, all confidential matters considered by the Committee and any confidential information disclosed to members of the Committee in connection with their position as a member of the Committee must remain confidential, notwithstanding the company to which that information relates, nor whether the member is a director of that company or not, save as required to be disclosed by law or regulation. Any other persons involved in the Committee's work shall either be bound by undertakings of professional secrecy or by ad hoc confidentiality agreements with the Committee.
- 12.2 Conflicts of interest relating to Committee members shall be governed by the relevant articles in the *reglement interieur*<sup>2</sup> of the Company from time to time.

**13. RESOURCES AND INFORMATION**

- 13.1 The Committee shall have access to sufficient resources and information in order to carry out its duties, including access to the Company secretariat for assistance as required and, where deemed necessary or appropriate, to professional advisors.
- 13.2 In particular, the Committee shall have access to (i) the human resource department,  
(ii) the risk management department (to assess how the remuneration structure affects the risk profile of the Company) (iii) the compliance department (to ensure legal and regulatory changes are properly implemented) and (iv) the internal audit department (who shall annually carry out and report to the Committee on an independent audit of the design, implementation and effects of the remuneration structure).

**14. OTHER**

- 14.1 Every member of the Committee shall be given a copy of these Terms of Reference.
- 14.2 The Committee shall be provided with appropriate and timely training, both as an induction process and on an ongoing basis, and provided with access to external consultancy support, when required.
- 14.3 The Committee shall arrange for periodic reviews of its own performance and, at least annually, shall arrange for independent internal review of its constitution and Terms of Reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

~~14.4 — The rights of LSEG set out in these Terms of Reference shall cease automatically if LSEG ceases to be entitled to exercise or control the exercise of at least 5 per cent. of the votes able to be cast on all or substantially all matters at general meetings of Group.~~

**EXHIBIT 5F**

**LCH SA**

(the *Company*)

**TERMS OF REFERENCE OF THE TECHNOLOGY, SECURITY AND RESILIENCE COMMITTEE  
OF THE BOARD OF DIRECTORS (THE "COMMITTEE")**

Adopted by the board of directors of the Company on [•] 2020

**ARTICLE I. PURPOSE**

Section 1.01 The Technology, Security and Resilience Committee (LCH SA TSR Committee) (the *Committee*) shall be appointed by the Board of Directors of the Company (the *Board*) and shall represent the interests of the Board in the sound management of technology security and operational resilience, including cyber security, to ensure that technology security and operational resilience strategies, investments and outcomes support the mission, values, and strategic goals of the Company.

Section 1.02 The Committee shall determine whether management has put in place adequate strategies and plans which include appropriate management of technical, security, operational resilience and cyber risks that provide reasonable assurance that the company operates within its risk appetite and complies with regulatory requirements.

Section 1.03 The Committee shall assist the Board in fulfilling its responsibility relating to:

- (a) Review of the Company's Operations and Technology Strategy;
- (b) Review of significant investments in support of such strategy including application and infrastructure architecture;
- (c) Review of the frameworks, policies and strategies that set the internal control environment in relation to technology, security and operational resilience;
- (d) Review of the Operational Risk Management Framework;
- (e) Review of the Company's Strategy for Cyber Security and Information Security and for delivery of supporting programmes;
- (f) Review the integration of Digital and Physical Security and their alignment with Business Continuity Plans;
- (g) Review of and assessing of the Company's maturity against existing and emerging concepts of security and resilience in order to support the development of strategy; and

(h) Providing regulatory attestations or declarations as may be required from time to time in relation to technology, security and operational resilience.

Section 1.04 The Committee shall keep itself informed of any changes in the laws and regulations applicable to its function and of changes in guidance from within the broader Group.

Section 1.05 The Committee shall provide time and capacity for discussions relating to the rapidly developing areas of technology, security and operational resilience in order to provide constructive challenge to the business and assurance to the Board through recommendations and advice. The Committee will help the Board strengthen business continuity management, risk management and regulatory compliance.

Section 1.06 Nothing in these Terms of Reference shall diminish the responsibility of the Board to maintain ongoing review of the Company's technology, security and operational resilience policies as applicable.

## ARTICLE II. STRUCTURE AND MEMBERSHIP

### Section 2.01 Composition

(a) The Committee shall comprise no fewer than four directors of the Board, of which:

(i) at least two shall be independent non-executive directors of the Board, each of whom satisfies the criteria for independence set out in, the terms of reference of the Company's Nomination Committee (the **Independent Directors**) and one of such Independent Directors shall be appointed chairman of the Committee (the **Committee Chairman**); and

(ii) at least one shall be a member of the Audit Committee of the Company;

(b) Members of the Committee shall ideally have significant, recent and relevant experience of the operations of LCH and its dependence on technology, but the Committee as a whole should have a breadth of experience to enable alignment with financial risk management, regulatory requirements and audit.

Section 2.02 Other technology expert individuals, as considered appropriate by the Committee, may attend the meetings of the Committee on relevant matters from time to time, in a non-voting capacity.

### Section 2.03 Selection and Removal

(a) Members of the Committee shall be selected and appointed by the Board at any time in consultation with the Committee Chairman.

(b) The Board may remove members of the Committee with or without cause.

**Section 2.04 Committee Chairman**

(a) The Board normally elects the Committee Chairman. On an exceptional basis and in the absence of the appointed Committee Chairman, the Committee shall elect a substitute Committee Chairman from amongst its ranks by majority vote.

(b) The Committee Chairman will keep the Committee's composition under review and shall make proposals to the Board accordingly.

**Section 2.05 Secretary**

(a) The secretary to the Committee (the *Committee Secretary*) shall be the Company Secretary or his or her nominee.

(b) The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required and, where deemed necessary or appropriate, to professional advisers.

**Section 2.06 Notice of Meetings**

(a) Notice of meetings shall be given by the Committee Chairman, or the Committee Secretary at the request of the Committee Chairman.

(b) Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required or permitted to attend prior to the date of the meeting in a timely manner. Supporting papers shall be sent to Committee members, and to other attendees as appropriate, at the same time.

**Section 2.07 Frequency of Meetings and Location**

The Committee shall meet as frequently as it determines necessary, but not less frequently than three times per year. Other than in exceptional circumstances, all meetings shall be held in one of the registered offices of the group entities. The Committee Chairman, or any other member of the Committee, may call meetings of the Committee.

**Section 2.08 Attendance**

(a) Only members of the Committee have the right to attend Committee meetings.

(b) Members of the Company's executive and the Head of Internal Audit may attend the meetings by invitation as and when appropriate and necessary, in accordance with items on the agenda.

(c) The Committee may hold meetings in person, by telephone or by video conference.

**Section 2.09 Quorum**

The quorum for meetings shall be two members of the Committee, one of whom shall be an independent Non-Executive Director. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

For the purposes of fulfilling the quorum requirements, a member of the Committee may provide the Chairman or another member of the Committee with their proxy, provided that the proxy is notified to the Chairman and the Secretary prior to the meeting.

**Section 2.10 Conduct of Meetings**

Except as outlined above, meetings of the Committee shall be conducted in accordance with the provisions of the Company's articles of association governing the proceedings of directors.

**Section 2.11 Remuneration**

The remuneration of Committee members shall be as determined by the Board. No member of the Committee may receive any consulting, performance, advisory or other compensatory fee from the Company other than fees paid in his or her capacity as a member of the Board or as a member of a Committee of the Board.

**ARTICLE III. REPORTS TO THE COMMITTEE**

The Committee shall receive and review periodic management information for relevant operations and technology metrics and align its meeting schedule with the requirements of the Board.

**ARTICLE IV. AUTHORITY AND RESPONSIBILITIES**

Section 4.01 The Committee's role is one of review. The Committee will also provide support and alignment with other committees to the Board.

Section 4.02 The Committee shall perform the following specific functions:

- (a) Review the Company's operations and technology strategy and policies including application and infrastructure architecture.
- (b) Review and, as appropriate, make recommendations to the Board regarding significant technology investments in support of the Company's technology strategy.
- (c) Review and, as appropriate, make recommendations to the Board regarding the resources and delivery of the Company's technology programmes.

- (d) Review any IT resilience, cyber and information security programmes, track progress in relation to such programmes and provide reports to the Board as appropriate.
- (e) Review any significant operations and technology risk exposures of the Company, including (i) review of any detailed operational risk assessments with significant IT elements (ii) information security and cyber security risks together with the steps management has taken to monitor and control such exposures.
- (f) Review and consider, where appropriate, the Company's risk management and risk assessment guidelines and policies regarding operations and technology risk.
- (g) Review the Company's integrated security and resilience, including review of any new or novel approaches to IT including security and resilience.
- (h) Review and receive reports from management regarding the Company's Business Continuity Management planning and develop oversight of Business continuity management and disaster recovery.
- (i) Receive reports, as appropriate, from the Audit Committee regarding the results of reviews and assessments of the Company's operations and technology functions.
- (j) Review and receive reports, as appropriate, on operations and agreed metrics in conjunction with the Audit Committee.
- (k) Review and receive reports on technology outsourcing.
- (l) Receive reports from management, as and when appropriate, on industry trends that may affect the Company's technology strategy.
- (m) Coordinate with Management and other Board Committees as may be necessary in discharging its authorities and responsibilities and provide reports to such other Board Committees as may be appropriate.

Section 4.03 The Committee shall consider any other matters as directed by the Board.

Section 4.04 The Chair of the LCH SA TSR committee shall be a standing member of the Audit Committee and may be invited to attend the meetings of the Risk Committee on relevant matters from time to time, in a non-voting capacity, and may make presentations to both Committees.

**ARTICLE V. PROVISIONS FOR ACCESS**

**Section 5.01 Access to Management**

The Committee shall have full and unrestricted access to the Group's management and employees. All employees are directed to co-operate with any requests made by the Committee.

**Section 5.02 Access to Outside Advisers**

The Committee is authorised by the Board, at its discretion, to obtain independent professional advice and to secure the assistance of outsiders with relevant expertise. This shall apply both to the Committee as a whole and to individual Committee members. Costs relating to the provision of advice shall be borne by the Company.

**Section 5.03 Access to Company Information**

The Committee shall have full and unrestricted access to any systems, records, facilities or other data it requires from the Company or other members of the LCH Group in order to carry out its functions.

**ARTICLE VI. REPORTING**

**Section 6.01 Minutes / Agenda.** The Committee Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance, and such minutes shall be presented to the Committee for approval at the next following meeting.

**Section 6.02 Board Reporting.** The Committee Chairman shall report the Committee's discussions, decisions and recommendations to the Board, which shall decide on an appropriate policy response.

**Section 6.03** The Committee shall have no executive powers with respect to those findings and recommendations.

**Section 6.04 Annual Reports.** The Committee Chairman, or his or her designee, will make available to the Chief Compliance Officer of the Company such information relating to the Committee's work as is necessary for the Chief Compliance Officer of the Company to draft and submit the annual compliance reports required by applicable regulations in force from time to time.

**ARTICLE VII. CONFIDENTIALITY AND CONFLICTS OF INTEREST**

**Section 7.01** All confidential matters considered by the Committee and any confidential information disclosed to members of the Committee in connection with their position as a member of the Committee must remain confidential, notwithstanding the company to which that information relates, nor whether the member is a director of that company or not, save as required to be disclosed by law or regulation. Any other persons involved in the Committee's work shall either

be bound by undertakings of professional secrecy or by ad hoc confidentiality agreements with the Committee.

Section 7.02 Conflicts of interest relating to Committee members shall be governed by the relevant articles in the articles of association of the Company from time to time.

Section 7.03 Any disagreement within the Board, including disagreement between the Committee's members and the rest of the Board, should be resolved at Board level. Where disagreements between the Committee and the Board cannot be resolved, the Committee has the right to report the issue to the shareholders through the Company's annual report.